# HOW TO MAKE MONEY

## In Foreign Exchange and Foreign Bonds

By

W. J. GREENWOOD

Price $2.00 Net

# Extracts from Foreign Reviews and Opinions of "American and Foreign Stock Exchange Practice," etc.

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# How to Make Money in Foreign Exchange and Foreign Bonds

*By* W. J. GREENWOOD, C.P.A.

**Specialist in Foreign Audits and Investigations, Certified Public Accountant (U. S. A.); Certified Accountant (London); Expert-Comptable Patenté (Paris); Contador Publico; Bücherrevisor.**

AUTHOR OF

"American and Foreign Stock Exchange Practice, Foreign Stock and Bond Trading, and the Business Corporation Laws of All Nations."

Formerly Special Lecturer on Foreign Exchange and International Trade Methods—University of London Commercial Courses



FINANCIAL BOOKS COMPANY

49 Wall Street, New York

1920

NOTICE

The author and the publishers of this book have no connection, direct or indirect, with any person, firm, or corporation dealing in foreign exchange or foreign stocks and bonds.



Printed in U. S. A.

# PREFACE

For some time the foreigners resident in the United States have been buying largely of bank drafts on French, Italian, Belgian and other cities, getting from 200% to 500% in foreign money for their American dollars. This foreign money has been used to buy good foreign bonds, which are now obtainable much below usual prices but which will ultimately be saleable at several times their present cost.

American investors appear to have kept out of this very profitable business, probably because they did not know of the large profits to be made, or because they did not understand the practical part of foreign exchange.

With a view to proving the real profits obtainable from these dealings, the author has made an investigation of the various methods of buying and selling foreign exchange, and foreign bonds and stocks, which are open to the American public.

The results of the investigation are stated clearly and impartially in this report.

The examination proves that a very favorable opportunity is open now for making large profits, while buying only the soundest class of securities.

The investor is shown in this report how he can manage the investments himself, he is directed to the best methods of investing either small or large sums and is advised how to buy and how and when to sell.

Details are given of the best bonds of each of the chief foreign countries, with their present market prices and indications of the probable profits to be made. The security behind each bond is also stated.

The author's knowledge and experience of foreign bond and stock dealings may be gauged by the details given on the title page, and by the opinions of Bankers, Stockbrokers and Financial journals respecting his book on Foreign Stock Exchange Practice.

W. J. GREENWOOD

49 Wall Street
New York

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# How to Invest



## The Best Foreign Bonds to Buy

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# GENERAL SURVEY OF FOREIGN EXCHANGE POSITION.

MANY articles have been published lately explaining the theory of foreign exchange. Most of these articles, however, do not give the practical information which a prospective buyer of foreign securities needs. A long and intimate knowledge of the people and the industries of foreign countries is needed to enable one to judge whether lending money to these nations is safe or otherwise; opinions based on anything but this exact knowledge are worthless.

**Safety of Investment.**—The buying of foreign securities is really the lending of money abroad, and the first and most important consideration in the mind of the lender should be the safety of his capital.

The profits offered by foreign investments at the present time are so large as to make the prudent investor remember that where there are large profits there are usually also large risks.

The present report is written with the aim of examining these risks, and of explaining clearly the reason why it is possible at present to make exceptionally large profits on the highest class of foreign bonds and stocks.

**Foreign Experience.**—The writer has for many years been occupied in making audits and investigations of the accounts of varied kinds of industries in the different countries of Europe which have been affected by the war. The advantages of speaking

their languages and working in these countries for extended periods has given him a good knowledge of their financial resources and of the capacity of their workmen, businessmen, bankers and financiers.

This experience permits a fairly accurate estimate to be made as to whether these nations can repay their present indebtedness to investors in Government and Municipal loans and to purchasers of industrial bonds and stocks.

**Credit of Nations.**—After all, the chief bases of credit are, first, the willingness of the borrower to repay, and next, his power to do so. Both conditions are necessary in order to render the loan a safe investment.

**Foreign Exchange.**—The full meaning of "foreign exchange", and the influence of its changes on trade and profits, are stated in every day language in later pages.

The explanations of the present extraordinary position of the foreign exchanges are made in a way which will permit the ordinary business man or woman to understand clearly the reasons why foreign exchange is so cheap, and to see how these conditions favor the American investor specially. The profits obtainable from buying the securities of each of the various foreign countries are also shown.

**Effect of Gold Stocks on Credit.**—The effect on foreign exchange rates of the possession of large or small stocks of gold, by various countries, is held by many political economists to determine their degree of solvency and the rates of exchange with these countries. This is a mistake. Food and clothing, building

materials, machinery and tools, and raw materials for manufacturing goods for use and exchange, with trained and willing workers, are much more valuable than stocks of gold.

Gold is certainly good to have, but it produces nothing; workers and materials produce wealth; bonds and stocks produce interest, but gold held by bankers is simply unproductive capital, held as a guarantee of credit.

The United States has more than enough gold on hand, and American bankers do not desire to increase their stocks of it; there is no profit in holding it.

The influence of gold stocks on international credit is greatly over-rated. The chief question is, can the debtor nation pay what it owes, either by gold, securities or goods, or by paid services to the creditor nation. If the debtor nation can pay promptly, in any of these ways, its credit is good and exchange is normal. If it is unable to pay its debts at once, and is compelled to ask for delays and to pay high interest, its credit is impaired and its money is at a discount, no matter how rich it may be. Many perfectly solvent banks have been wound up because their assets were not sufficiently liquid at the time when an extraordinary strain was put on their resources.

## PRESENT FINANCIAL POSITION OF WARRING NATIONS: ALLIES NOT INSOLVENT.

With the single exception of the United States, the position of all the lately warring nations is, that they owe more than they can pay promptly. The debtor

nations cannot be made bankrupt. Their creditors can only force their money to a discount, by selling the debts below face value and compelling them to pay more for future purchases, in order to provide for such losses on realization.

This separates the chief nations of the world into two camps; the first being the United States, with its dollar at a premium, and the second the European nations, with their money at a discount.

**Payment of War Debts.**—An insolvent business firm which could not pay its debts promptly, through having suffered large losses, would usually be compelled to liquidate and realise all its resources in order to pay its creditors.

For nations this is impossible. Their resources consist of their populations, with their productive skill and facility for producing values and profits, joined to the natural products of their country and the capital invested in works, factories and shipping, docks and railways. These are very real assets, because they produce wealth, but they cannot be sold in order to pay debts.

The only remaining means of payment open to the debtor nations is, therefore, the production of goods and profits from which to pay their creditors, and this needs time.

**Payments Already Made on Account.**—The debtors have already paid their chief creditor, the United States, as far as possible, by shipping gold and by returning American railroad and industrial securities formerly held by French, Belgian and British investors.

# EXCHANGE AND FOREIGN BONDS

**Reasons of Present Indebtedness.**—The Allied nations have, during a long five years, been fighting for their lives and for the protection of their families and homes. Everything has been sacrificed to ensure victory. Men and women have been proud to die in defense of their country. Hard earned wealth has been poured out in torrents, to obtain the means of at first holding ground and afterwards of defeating the enemy. Civilian populations have willingly half starved themselves in order that their soldiers might be well fed. Manufacturing and trading have had to be neglected. A man attacked by an armed robber gives no thought, during the fight, to the work of to-morrow. Peace having been now restored, the victors have been busy, first of all in repairing the damage committed by the attacking nations, and next, in restoring their own means of earning a livelihood. They have had to produce, or to buy from the U. S. and other countries, the necessary materials, both for repairs and replacements and for producing goods for sale to their own people and to other nations. The damage suffered by Allied territory has been so extensive that the work named has required considerable time and has made necessary the borrowing of huge sums of money at high rates of interest, and also the purchase of materials on credit at high prices. America, and other nations which have sold the materials on credit, have generally raised the prices sufficiently high to provide for both the probable loss on exchange and interest for the long credit.

## EXAMPLE OF EFFECT OF LOW FRENCH EXCHANGE RATE

The seller has worked it out this way:

**Sale of Goods to France.**

| | | |
|---|---|---|
| Domestic price, for cash, including profit.......................... | | $100 |
| ADD, extra profit (owing to urgency of demand and scarcity of supply) | | 50 |
| ADD, interest for one year, say 10% on $150...................... | | 15 |
| TOTAL.................... | | $165 |
| Value of $165 at normal exchange of 5.18 frs. per $, equal to 19.30 cents per franc...................... | Frs. | 854.70 |
| ADD, for probable loss on collection of debt, through the discount on French exchange, 200%......... (Francs are estimated to be saleable at 7 cents each, instead of the normal rate of 19.30 cents.) | | 1709.40 |
| TOTAL INVOICE PRICE TO FRENCH BUYER (in francs).. | Frs. | 2,564.10 |

The seller takes a bill of exchange in payment, due in, say, 12 months, and sells it to an American banker at 7 cents to the franc, realising $179.48, which shows him a good profit on cost.

The banker sells the bill in New York for 7½c.

per franc, and makes $12.82 profit. A buyer who holds the bill for 12 months and sells it then, at anything between 8 cents to the franc and the normal rate of 19.3 cents, would also make a good profit. If the French buyer gives French Government Bonds, instead of a bill of exchange, the effect is the same.

**Who is the Loser?**—The only man who loses is the French buyer, who has paid nearly three times the usual price, but he is compelled to buy in order to find work for his men and his machinery; he cannot get his materials elsewhere at present.

It can be easily seen that conditions like these make French trade with the U. S. almost impossible.

Even without charging extra for credit, American goods cost French buyers $2.50, at present low exchange rates, as compared with $1, which they would cost at normal exchange.

**Method of Improving European Exchange Rates.**—The only way in which the United States can hasten the improvement of exchange is, by purchasing European Government securities, or by investing in the bonds and stocks of the industries of those countries.

**Profits on European Investments, Slow, but Sure.**—The profits to be obtained from such investments, if wisely made, are very large, and the investments are safe and sound. The investor should be warned, however, that these profits cannot be made with the same rapidity as dealings in American securities, and no one should invest in foreign securities any money which he is likely to need quickly, or at any time within at least a year.

**Example of Netherlands Investors.**—Although the securities may have to be held for so long a time, the profits would be certain. The people of the Netherlands are amongst the shrewdest judges of investments in the world; they will not buy unsound securities at any price, but they will always buy really good bonds and stocks during times of depression. The Hollander is in no hurry to realise, his belief being that sound securities will always come back to their proper value; relying on this he makes more than the average rate of profit, and has very few losses.

## DOUBLE PROFITS REALISED BY IMPROVEMENT OF EXCHANGE.

THERE are really two separate profits to be made by buying foreign securities at present prices. Take the case of a Government bond quoted in London in peace times at £100. The equivalent price in New York, with the pound sterling at par, ($4.87) would be $487. With the exchange rate per pound sterling reduced to $3.60, the £100 Bond would cost only $360, a reduction of over 25% to the American purchaser. On the recovery of the exchange to par, this would give a clear profit of over 30% on the principal, and also of over 30% on the difference in the exchange, namely, $127 profit on the investment of $360, equal to 35% on the outlay. The interest payable on the bond will meanwhile have yielded another profit.

**Reason for High Profits.**—At the present time many of the best European securities are standing considerably below par in their own countries.

**Profits on French Government 5% Bonds.**—For example, the French Government Victory Loan 5% Bond for 1,000 francs can be purchased at present for around \$62, the French franc being quoted in New York at 7 cents instead of its former value of $19\,^{3}/_{10}$ cents.

At the normal exchange of $19\,^{3}/_{10}$ cents per franc, this bond would realise \$193.00, if sold at face value.

Here is the reason for the extraordinary profit.

On Aug. 30, 1920, the French 5% Government Loan was quoted on the Paris Bourse at frs 87.50. The U. S. dollar was then quoted in Paris as worth 14 francs 52½ centimes.

This means that a French Government 5% Bond for frs 1,000 could be bought in Paris for 10 times frs 87.50, making frs 875. In normal times, French Government Bonds cannot be bought at prices which will yield more than 3½% to 4%. It is practically certain that these bonds will rise to a premium, that is, to a selling price of over 1,000 francs per frs 1,000 Bond.

The French investor's profit would be limited to the difference between the present and future market price, say 125 francs, but on this profit he would have to pay a heavy income tax.

**Special Advantages of American Investors.**—The case is quite different with the American investor. Owing to the premium on dollars, the French bond of frs 1,000 quoted 875 francs, can be bought from New York for \$60.24 plus brokerage and commission charges, say a total of \$62. At the former normal exchange of 19.3 cents for the franc, this bond, now

purchasable at $62 would have cost $168.87, or, plus brokerage and commissions, say $170. The prospective profit to the American buyer, when exchange rises to the normal rate, is therefore, say $169 net selling price (brokerage, etc., deducted), less cost $62, making $107 net profit, being over 172% on the capital invested.

Note also that the American pays no income tax in France on this profit, nor on the interest received on the Bond.

**When Will French Exchange Improve?**—The restoration of the French exchange to the normal rate of 19.3 cents per franc may take 2 or even 3 years, and it will be gradual, with occasional jumps. If the bond is held for 3 years, the profit of $107 would be over 57% per annum (increase in the principal receivable), plus 5% per annum interest on the bond, total 62% per annum. But this is not all of the profit to be obtained by the American investor.

**Additional Profits by Rise in Market Price of Bonds.**—The total profit of $107 realisable by the rise in exchange is based on the present low market quotation for the bond. A rise in the market price of the bonds to par, showing a yield of 5% interest, would give an aditional $22.50 profit at normal exchange, while a rise to 25% premium, putting the bonds on a 4% basis, would increase the profits by over $70 at normal exchange.

**Taking Quick Profits.**—The American investor can sell his Bonds at any time and profit by the improvement in exchange up to that date.

Each rise of 1 cent in francs gives a profit of $10

on the 1,000 franc bond; a rise from 7½ cents to 15 cents per franc would give $75 profit, or 100%.

**Profits on British Government Bonds.**—British securities also offer good profits, although not so large as on French securities, they are likely to be realised more speedily.

The reasons for the unusual profits on purchases of foreign securities having been explained, the next step is to consider the solvency of the respective countries and the safety of the different securities.

## POINTERS—GENERAL

The American Express Company has recently added to its other business that of dealing in foreign exchange and foreign securities. It is reported to be making money rapidly in these new lines, and its shares have risen in price, as a consequence.

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Many people try to get riches very quickly from investments, without taking any risk. It cannot be done in ordinary times. Wise investors, like the Dutch, buy good investments when they are cheap and *wait* for the sure profit obtainable by their return to real values.

The reason why foreign bonds and stocks can be bought cheaply at present is that the foreign holders can get a higher return by using the money in trade and manufacturing. When money used in trade is yielding double the rate received on investments, these investments are worth only 50% as compared with loose money, because it would take $200 invested to bring the same profit as $100 used in trade.

In May, 1919, the Savings Bank section of the American Bankers' Association adopted a resolution that a bill be prepared for submission to all State legislatures authorising savings banks to invest in high grade foreign bonds.

Several states have already passed bills to authorise savings banks to invest 10% of their deposits and surplus in French and Canadian Government and provincial bonds, etc.

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Trade follows investments. American investments in Argentina grew from 20 million dollars in 1913 to 65 million dollars in 1917; American exports to that country grew from 14.9 to 36.3 per cent of Argentina's total purchases during the same period.

# EXCHANGE AND FOREIGN BONDS

## AN EXPLANATION OF FOREIGN EXCHANGE

THE reason for the money of Britain, France, Belgium and Italy being at a large discount, as compared with the dollar, may be explained by stating it as an ordinary business matter, which it really is.

**Domestic Money.**—The government of each nation makes a profit on the silver, copper, and nickel coins, which it holds the monopoly of making and selling to its citizens, for use within their own country.

These coins usually cost about one-third of the price at which the government sells them to the public and laws are passed compelling all citizens to accept this domestic money at the full rates marked on the coins. The government profit is used to pay national expenses. Naturally each government wishes to keep this profitable trade free from competition in its own territory, so the use of silver and copper coins of other nations is forbidden. This prevents domestic silver and copper coinage being of use for payments to be made for goods bought from other countries.

**International Money.**—It is necessary, therefore, to have some kind of international money which will be accepted by all nations. Gold has been fixed on as the international money, and it is used generally for both domestic and foreign payments. No profit is made on gold coinage, the coins are sold to the public at cost price.

**The Fixed Buying Price for Gold.**—In peace times there is a fixed price for gold; the British Em-

pire produces the largest quantity of it from the mines under its control.

**Bank Purchases of Gold.**—By agreement with the British Government, the Bank of England is compelled to buy all gold offered to it at the rate of 77 shillings and 9 pence per ounce (Troy weight) for "standard" gold, $\frac{11}{12}$ pure, equal to nearly 85 shillings ($20.67) per oz. of pure gold.

**How Gold Coins Are Sold at Cost.**—The British Mint (owned by the Government) makes gold into British coins, called the "sovereign," and the "half-sovereign," which are issued to the public at net cost, at the rate of 77.10½d. per ounce of the "standard" gold contained in them.

Three cents (1½ pence) per ounce is included in this price as the expense of making the coins.

**Alloys.**—In the process of coining British gold pieces, a harder metal, called an "alloy", is mixed with the gold in the proportion of $\frac{1}{12}$ of alloy to $\frac{11}{12}$ of pure gold; this is to prevent excessive wearing of the coins during their use as money.

**Variations in Price of Gold.**—The Bank of France buys pure gold at practically the same price as the Bank of England. The French Government makes this into gold 20 franc pieces, which it issues to the French public at the exact cost of production. Other governments do the same for their gold coins.

These standard buying rates of the Bank of England and the Bank of France keep the price of gold practically steady as regards all nations, because the greater part of the gold produced from foreign mines is sold to the two banks named.

**Use of Gold for Jewelry, etc.**—Most governments forbid manufacturers of gold articles to melt down gold coins; these manufacturers are compelled to buy the gold they need in the raw state, that is, in ingots or gold blocks, called "bullion", which are certified, after analysis, to be of a certain average degree of purity.

At times the competition amongst manufacturers forces prices slightly above the fixed price offered by the Bank of England and the Bank of France, but this does not affect gold values permanently.

**Valueing Foreign Coins to Fix Exchange Rates.**—In order to determine the value of a foreign gold coin, it is necessary to know its fineness, that is, the proportion of pure gold it contains, which does not vary, each nation having adopted a certain declared proportion of pure gold to be contained in its gold coins.

**Comparison of U. S., French and British Gold Coinage Values.**—A comparison of the British £1 coin, $\frac{11}{12}$ pure, with the French 20 franc gold coin, $\frac{9}{10}$ pure, shows the value of the pure gold metal contained in these coins to be in the proportions of £1 to 25 francs 22 centimes. Stated briefly, and eliminating decimals, £100 in British gold coins are equal in pure gold contents to 2,522 francs, or to 126 and $\frac{1}{5}$ French gold pieces of 20 francs each.

The United States gold coins are $\frac{9}{10}$ pure gold, and, in proportion to the $10 gold coin, the £1 gold piece is worth $4.8665, roughly $4 and 86⅔ cents.

**Normal Rates of Foreign Exchange for Coins of Chief Nations.**—Valued on the basis of the pure

gold contained in the gold coins of the various foreign countries these coins, when sent to the U. S. in payment for goods exported, would be accepted at the amounts stated below. These are called the "normal exchange rates", or "par rates", or "mint par of exchange."

**Par Values.**—*Britain*, the £1 is worth in gold, \$4.86⅔ cents.

*France*, the 1 franc, on the basis of the gold piece of 20 francs, is worth $19\frac{3}{10}$ cents.

*France*, *Belgium*, *Italy* and *Greece* have by agreement formed a group called the "Union Latine"; they undertake to make their gold and silver coins of equal value; they further agree to each permit the coins of the other countries of the Union Latine to circulate in their respective territories at face value. The standard coin in each country is the same, called in France, Belgium and Switzerland, the "franc", in Italy the "lira" and in Greece the "drachma". The 1 fr., 2 fr. and 5 fr. coins are silver. The smallest gold coins are 10 fr. and 20 fr. At present this agreement is practically suspended because the monies of the countries named are quoted at widely different values.

*Germany*, on the basis of the gold piece of 20 marks, the mark is worth in gold, 23.82 cents.

*Japan*, the yen is worth in gold, 49.85 cents; roughly, half a dollar.

**Methods of Settlement of International Debts.**—So long as trading between nations is normal, accounts between them are settled on the basis of the rates of gold exchange named above. The international bankers act as clearing houses for the debts

payable and receivable by their different countries; the mutual debts, in peace times, generally nearly balance each other; differences are paid by the transfer of other international debts or by the shipment of gold, either in the form of "bullion" (gold blocks) or gold coins of the creditor country or of other nations, which are accepted at the standard values named above (See also page 21).

Business firms do not send gold abroad nor receive payment in gold from foreign countries, foreign business debts are paid by drafts issued by bankers, or by bills of exchange, payable after 3, 6, or 9 months, which are usually sold to bankers.

**War Changes: Suspension of Payments in Gold.**—The war has changed all this for a time. Formerly each nation bought from abroad only what it could pay for by its sales abroad, and by income receivable on its foreign investments, or for work done for foreign nations. The necessities of war compelled the Allied Powers (England, France, Belgium and Italy), and the Central Powers (Germany and Austria), to cease selling abroad, and forced them to buy enormously of foreign materials and food. Gold and securities were at first given in payment for these purchases (made chiefly from the U. S.), and when these funds were exhausted, further materials were bought on credit. Each of the European nations is now holding fast to its small stock of gold, and has forbidden its exportation in bulk. Meanwhile, the U. S., as the principal creditor, has considerable sums to collect, and refuses to supply further credit to European nations except at increased prices.

**American Credit Prices Increased.**—In effect, as regards Britain, the American selling terms are for gold $1, on credit $1.30, for present dealings. For France, the American terms are gold $1, on credit $2.50.

**European Indebtedness to U. S.**—The large accumulation of accounts owing to the U. S. by both France and Britain will require a few years of hard work and strict economy on their part in order that they may clear off the debts from their trading profits.

**European Debts Offered Cheaply.**—American bankers, who are dealers in these debts, are willing to sell them to buyers in New York at a considerable reduction for prompt cash.

**How Profits May Be Made in Buying Them.**—For each $1 paid now by an American investor in New York, he will receive credit for $1.30 in London at standard gold rates, or a credit of French money in Paris equal to $2.50 at standard gold rates. By waiting a few years, until Britain and France are able to pay their debts in gold, these standard gold rates would be actually received as a return for the $1 paid now.

Instead of waiting, the credits can be used to buy British or French Government Bonds at once, these bonds paying good interest and being purchaseable at a considerable discount on face values. By holding the bonds for the few years needed for Britain and France to pay a portion of their war debts from trading profits and other income, the investor will be able to realise much more than the sums invested, and will, meanwhile, have a steady and increasing income from

interest. This would give a double profit, namely, a profit by the rise in the market price of the bond and a profit by the rise in exchange rate.

**Risks Involved.**—The question may be asked, is there any risk in waiting for the exchange coming back to the standard rates? Is it not possible that British and French money may never return to the former gold rates?

Every banker and every American exporter will give the same answer to these questions. Both Britain and France are not only solvent but have a huge excess of wealth beyond their present liabilities to the United States and other countries.

**Reasons Why No Risk of Loss Exists.**—It is impossible for either Britain or France to continue to exist as leading nations, or to continue their foreign trade, without ultimately bringing their exchange rates back to the gold standard rates which were in force before the war. Only the destruction of both countries, with all their colonies, could prevent this result being achieved.

**Time Required for Realising Full Profits.**— The only doubtful point is, how long will this take— how long will it be necessary for an American investor to hold British or French bonds, for example, to realise the full profits on them?

Judging from the progress already made by both countries towards recovery of their former financial strength, it appears probable that British and Belgian exchange will return to par (the standard gold rate) in less than 3 years, and French exchange will return to par within five years.

**Realising With Part of Profits.**—Meanwhile the rates will improve from now onwards, and the profits accrued may be realised on any improvement taking place.

**Example from American History.**—At the time of the American Civil war the same conditions, as regards exchange, existed here; American money was at a considerable discount and great profits were made by European investors buying American exchange and using the credits to buy the depreciated U. S. bonds and stocks. These were sold later at much higher market prices, and the restoration of U. S. exchange to par rates gave additional profits. The U. S. dollar was down to 40c. during that war.

**French Parallel Case.**—In 1870–1871 similar conditions applied to French exchange; credits in Paris could be bought much lower than they are to-day, but the exchange rates returned to the standard rate in a few years, and remained steady until 1914.

**Baron Rothschild's Advice.**—There is the well known story of one of the members of the Rothschild family who, at the end of the 1870 war, advised a friend to buy French government securities. The friend remarked, "but francs are quoted a few cents each, and the streets of Paris are running with blood." The reply was, "Yes, I know, but that is why francs are quoted a few cents each, buy French Government Bonds now."

The annexed table of the gold values of the various foreign monies shows the rates at which these stand in peace times.

Each month sees progress made towards the restoration of exchange rates to these gold values.

## VALUES OF FOREIGN MONIES, AT THEIR NORMAL OR GOLD VALUES, AS USED FOR PAYMENTS BETWEEN NATIONS

| | | United States and Canada | England, Australia, S. Africa | France and Union Latine | Germany | Austria and Hungary | Japan | British India | Russia | Netherlands | Scandinavia |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Dollars Cents | Pence = d. (2c) | Francs Centimes | Marks Pfennige | Kronen Heller | Yen Sen | Rupees & Decimals | Roubles Kopecks | Florins Cents | Kroner Ore |
| U. S. and Canadian | $1 = | **$1** | 49.316d | 5.1826 | 4.1979 | 4.9351 | 2.006 | 3.0822 | 1.9436 | 2.4878 | 3.7314 |
| British | £1 = | $ 4.8665 | **£1** | 25.22 | 20.43 | 24.02 | 9.765 | 15 | 9.46 | 12.107 | 18.16 |
| French | Fr. 1 = | 19.295c | 9.516d | **Fr 1** | 81pf | 0.9522 | 0.38706 | 0.5947 | 0.375 | 0.48 | 0.72 |
| German | M. 1 = | 23.82c | 11.75d | 1.2345 | **M 1** | 1.1756 | 0.4778 | 0.7342 | 0.463 | 0.5926 | 0.888 |
| Austrian | K. 1 = | 20.26c | 10.d | 1.05 | 85.06pf | **K 1** | 0.4065 | 0.622 | 0.3938 | 0.5041 | 0.75609 |
| Japanese | Yen 1 = | 49.85c | 24.576d | 2.5833 | 2.0925 | 2.46 | **Y 1** | 1.536 | 0.96882 | 1.23959 | 1.86 |
| Indian | Rupee 1 = | 32.443c | 16d | 1.6813 | 1.362 | 1.6013 | 0.651 | **R 1** | 0.6306 | 0.8071 | 1.211 |
| Russian | Rouble 1 = | 51.45c | 25.37d | 2.666 | 2.1598 | 2.5391 | 1.032177 | 1.5856 | **Rbl 1** | 1.28 | 1.9199 |
| Netherlands | Fl. 1 = | 40.195c | 19.82d | 2.0831 | 1.6874 | 1.9837 | 0.80639 | 1.2387 | 0.7812 | **Fl 1** | 1.499 |
| Scandinavian | S. K. 1 = | 26.80c | 13.212d | 1.388 | 1.125 | 1.3225 | 0.3765 | 0.8257 | 0.5208 | 0.666 | **SK 1** |

**How to Use This Table.**—To find the value in Indian money of U. S. currency, follow the horizontal line for U. S. $ to the column "India," which shows 3 rupees and .0822 as the equivalent of $1.

To find the value of the Indian rupee in U. S. money, look at the column reading "United States," opposite "Indian rupee," where the value is shown as 32 cents and .443 cents.

## THE PRESENT PRICE OF GOLD — ITS EFFECTS ON FOREIGN EXCHANGE RATES

IT has already been explained that the Bank of England and the Banque de France buy pure gold at the rate of $20.67 per ounce of Troy weight.

**Why Governments Are Not Now Issuing Gold.**—The American and other governments pay the same price; they cannot, in fact, pay more, because they are bound in honor to make their gold coins always contain the same weight of pure gold.

If any one government pays more than $20.67 per ounce for pure gold it will lose money, because, by agreement with other nations, it can only charge at the rate of $20.67 per ounce of pure gold contents for the gold coins it makes.

**Issues of Gold Coins of Reduced Values.**—It may be asked, "but why not reduce the quantity of pure gold in the coins, if the price of gold increases". This way has been tried by various countries, hundreds of years ago, and it has always brought disaster.

The effect in the U. S., for example, would be as follows: If the pure gold in the $10 piece (worth $9.97 at the rate of $20.67 per ounce Troy) were to be reduced by half, the new gold $10 coins would only be worth $5 each, as compared with the old coins of the same value.

Immediately the public and the bankers were informed that the new $10 gold pieces were to contain less gold, all the old $10 coins would disappear from circulation, because everyone who had them would hoard them; they would be considered as now worth $20 each.

Foreign nations would only accept the new $10 pieces as worth $5 each, so goods imported from abroad would cost about double the former prices.

**How Rates of Exchange Are Fixed.**—For international payments, the values of foreign gold coins are still the same as before the war. But the price of gold, in the paper money or bills of exchange of foreign nations, has risen. The foreign governments have commandeered all gold and have forebidden their bankers and traders to send it abroad.

Foreign creditors can, therefore, only be paid in paper money, goods or services, or they can wait for payment of the debts. The values of such debts are the prices at which they can be sold to bankers and investors. These prices are determined by the credit of the debtors, the supply and demand of debts offered for sale, and the estimated time of waiting for payment in full, that is, the time needed before the debtor's country will be able to resume payments of trade debts in gold.

The market quotations for buying these debts are called the "current rates of exchange". These current rates are taken as the basis for quoting prices to foreign buyers of American goods or gold.

**Premium on Gold.**—The present rate of exchange with Britain is $3.50 per £1. Pure gold

(1000 fine) is quoted in New York at $20.67 per oz. Troy. This, at the exchange of $3.50, is equal to 118 shillings per oz. in London. At the normal exchange of $4.87 the gold would have cost 85 shillings. Therefore, American gold is worth about 40% more in London. That is why British Government Bonds can be bought with American money at 40% below usual prices.

As regards France, an exchange rate of 7 cents per franc ($14^2/_7$ frs. per $1) instead of the usual rate of 19.3 cents (5.18 francs per $1), would make the present price of American gold francs 295.28 per oz. Troy, instead of the normal rate of francs 107.07. American gold in Paris would thus be worth 175% more, 2¾ times the usual value. That is why French Government Bonds can be bought, with U. S. money, at about one-third of their value.

**Illustration of Effects on Foreign Trade of the U. S.**—Now let us see how it works for selling goods. A French manufacturer asks an American engineering firm to quote a price for a machine delivered at a French seaport. Before quoting, the American firm asks whether payment will be made in French gold or by a draft payable in dollars in New York. The Frenchman replies that he cannot pay in French gold pieces because they are unobtainable at present and that, even if he could get them, the French government has forbidden their export. He also states that he has no funds in New York, and that he can only pay in Paris, and in francs.

On referring to the rates of exchange published in the New York newspapers, the American finds that a

franc in Paris is now worth only 7 and $^1/_5$ cents, although it was worth $19^3/_{10}$ cents before the war.

As the American has no use for francs in Paris, he arranges that his New York banker shall buy the French money from him at the rate of $7^1/_5$ cents per franc.

Now the selling price has to be fixed on those terms. This is how it is done:

## THE PROFIT OF THE AMERICAN MANUFACTURER

| | |
|---|---|
| Price of the machine at New York, including usual profit.............. | $10,000.00 |
| Packing, ocean freight and other expenses, paid at New York......... | 2,000.00 |
| Add 10% profit on packing, etc...... | 200.00 |
| Cash price of machine, delivered at French Port...................... | $12,200.00 |

The above is the amount the manufacturer ought to receive in New York.

He must calculate what amount in francs must be charged to the French buyer in order to produce $12,200 when the debt is sold to the banker in New York.

**Price of Goods at Normal Exchange Rates.**—Before the war this calculation would have been easy because, at the normal or gold rate of exchange, each dollar was worth 5.18 francs, equal to 19.3 cents per franc (100 cents divided by 19.3).

The total receivable would then have been $12,200 multiplied by 5.18, or 63.196 francs. This debt could have been sold to a banker in New York for $12,200, less a small charge for commission and interest.

**Price at Present Rate of Exchange.**—The present price of $7^1/_5$ cents per franc is equal to 13.89 francs per dollar (100 divided by $7^1/_5$). Multiplying $12,200 by 13.89 will give the number of francs which should be charged, being 169.458 francs.

**Comparison of Pre-war and Present American Export Prices.**—Here is a comparison of the prices (1) before the war, and (2) now, as seen by the French buyer:

THE LOSS BY THE FRENCH BUYER
*Price of Machine Delivered at French Port*

| | |
|---|---|
| (1) *Before the War.* | |
| Machine invoiced $12,200, at exchange of 19.3 cents per franc... | 63,196 francs |
| (2) *Now, September,* 1920. | |
| Machine invoiced $12,200, at exchange of $7^1/_5$ cents per franc.. | 169,458 francs |
| *Increase in Price,* through low exchange rates in 1920.......... | 106,262 francs |
| (American price of $12,200 unchanged). | |
| *Percentage of Increase in Price.....* | 168% |

**Why America Is Losing Export Orders.**—The Frenchman, seeing this greatly increased price, will not buy American machines if he can possibly obtain them from any of the European nations whose exchange rates are also at a discount, like his own. Owing to the increased cost due to the premium on the American dollar, none of the European nations can afford to buy American goods unless compelled to do so by sheer necessity.

## HOW MONEY IS ACTUALLY MADE IN FOREIGN EXCHANGE

IT has been shown that the American exporter lost nothing on exchange, when selling machinery to France, because he charged sufficient to cover the loss caused through having to sell the debt receivable at a large discount.

**Profits Made by Bankers on Foreign Exchange Dealings.**—The banker of New York, to whom he has sold the 169.458 francs at $7^1/_5$ cents per franc, may either hold the amount to his credit in Paris or he may sell it in New York. Bankers prefer to sell quickly, at a profit, because they must not lock up their capital. They could buy French securities in Paris with the francs standing to their credit, but this also would lock up their funds. It is only an investor, using his own spare capital, who can safely wait for a rise in exchange.

At this season of the year large purchases of foodstuffs are made by Europe from America, and this has the effect of increasing considerably the debts receivable by the U. S. The bankers have more debts to sell than usual, and they are willing to sell cheaper.

This is the opportunity of the investor with loose capital.

The Banker who bought the French debt of 169.458 francs at $7^1/_5$ cents per franc sells it to an investor at say 7½ cents, two weeks later. His deal yields him a net profit, thus:

## EXAMPLE OF PROFIT OF THE NEW YORK BANKER

| | |
|---|---|
| Purchase of 169.458 francs at $7^{1}/_{5}$ cents | $12,200.00 |
| Interest, half month at 6% per annum | 30.50 |
| Total cost to the Banker | $12,230.50 |
| Sale of 169.458 francs at 7½ cents | 12,709.30 |
| The Banker's *Net Profit*, in two weeks | $478.80 |

The profit made seems small, but if the banker turns his money over at a similar profit, every two weeks of the year, he would make 26 times $487.80, or a total of $12,448.80 profit on $12,200 of capital, over 102% per annum. This is better even than holding the francs for a rise in exchange.

**Profits to Be Made by Investors.**—Let us next consider the profit to be made by the American investor who buys the debt from the banker at 7½ cents per franc.

There are two ways in which he can make a profit on the debt.

**First Way.**—He can leave the amount to his credit at the Paris bank and sell it when the exchange goes higher; the interest allowed by the Bank would probably be 3% per annum.

If the exchange goes up to 10 cents per franc, 6 months later, he would make 2½c profit on each franc, on a cost of 7½c, thus:

## EXAMPLE OF PROFIT ON EXCHANGE, MADE BY INVESTOR

| | |
|---|---|
| Cost of 169,458 francs @ 7½c...... | $12,709.30 |
| Interest @ 6% for half year......... | 381.27 |
| Total cost.................... | $13,090.57 |
| Sale of 169,458 francs @ 10c........ | 16,945.80 |
| Net profit on principal, in 6 months. | $3,855.23 |
| Profit on outlay...................... | 30% |
| Profit per cent, per annum............. | 60% |

| | |
|---|---|
| A rise of exchange to 15c per franc would yield a gross profit on outlay of....... | 100% |
| A rise to the par rate of 19.30c would give a gross profit of..................... | 157% |

Difficulty generally arises in realising the profits on exchange credits, because they have to be sold to bankers who are dealers in exchange, and they buy at less than the market price. It is not easy for a single investor to deal in bank exchange.

**Example of Profit Made by Purchasing Foreign Bonds.**—Instead of leaving the 169,458 francs to his credit in the bank at Paris, the investor can instruct the French bank to sell the bill of exchange (due in 6 months) and to use the amount realised in buying French Government Bonds for him. These are now very cheap, being quoted (in September, 1920) around 86 francs per 100 franc Bond of the 5% Loan.

Allowing for brokerage, etc., the 169,458 francs should buy 1910 Bonds of 100 francs each, making a total face value of 191,000 francs.

The interest receivable would be 5% or 9,550 francs per annum, free of tax, equal to 5⅝% on the total cost.

The market price of these Bonds is sure to rise, as they are the highest class of security, and in peace times such bonds can only be bought at a price to yield 3% interest on cost.

By holding them for 1 year, the market price should be par, 100 francs, and French exchange should be at least 11½c per franc. By holding them for 2 years, the bonds should be worth 110 francs each, and exchange will probably be 15c or more per franc.

At the end of 3 years the bonds should be worth 125 francs each, and exchange should be at par, 19.3 cents to the dollar.

The investment should yield profits as follows:

## EXAMPLE OF PROFIT ON PURCHASE OF FOREIGN BONDS

*Investment of* $12,200 *by purchase of* 1910 *Bonds of* 5% *French Loan*, at 86 frs. per 100 fr. Bond; exchange at 7½ cents per franc.

*Investment for* 1 *Year:*

| | |
|---|---|
| Selling price, gross, 1910 Bonds @ 100 frs.—191,000 frs. exchanged @ 11½c per franc............. | $21,965.00 |
| Cost of Bonds, as above.......... | 12,200.00 |
| Gross Profit on Principal (80%)... | $9,765.00 |

*Investment for 2 Years:*

| | |
|---|---|
| Selling price, gross, 1910 Bonds @ 110 frs.—210,100 frs. exchanged @15c per franc.................. | $31,515.00 |
| Cost of Bonds.................... | 12,200.00 |
| Gross Profit on Principal (158%).. | $19,315.00 |

*Investment for 3 Years:*

| | |
|---|---|
| Selling price, gross, 1910 Bonds @ 125 frs.—238,750 frs. exchanged at par, 19.30c per franc......... | $46,078.75 |
| Cost of Bonds.................... | 12,200.00 |
| Gross Profit on Principal (277%).. | $33,878.75 |

Brokerage, commission and stamps, etc., for selling the Bonds, should not exceed one-fourth of one per cent.

## METHOD OF BUYING FOREIGN BONDS IN U. S.

The procedure is simple. The American dealer quotes a fixed price in dollars, based on the present low rates of exchange. The bond is delivered to the buyer against payment. The rises or falls of exchange can be watched by the daily newspaper reports.

As exchange rises the bond becomes worth more. It can be sold through a dealer for cash at any time. There are no documents to be signed and no transfer forms are required; possession of the bond gives ownership.

# THE PRESENT FINANCIAL AND INDUSTRIAL POSITIONS OF THE CHIEF FOREIGN NATIONS

## FRANCE—WEALTH AND RESOURCES

FRANCE possesses one of the best climates in the world, with a fertile soil, inhabited by an industrious and saving population.

**General Distribution of Wealth.**—In 1914 the French, as a people, were the wealthiest nation in the world. There were not so many large individual fortunes as in the U. S. but, in proportion to population, there was a larger number of families possessing considerable funds accumulated by saving.

**Usual Investments.**—The funds accumulated by families in this way are generally invested in industrial or government securities, the rates of interest allowed by French bankers for deposits being usually very low; in times of cheap money only 1% per annum is paid. The favorite investments are French Government Loans, French Industrial stocks and bonds, South African Mines, International Oil stocks, American railroad bonds, Copper stocks, and Lottery bonds. Before the war, Russian Government bonds and industrial stocks were also largely bought.

**Paris as an Industrial Centre.**—The City of Paris is a huge workshop; its character, as regards the center of the City, is disguised by the architecture

of its buildings, which are compelled to conform to certain artistic standards.

Behind the showy fronts, however, earnest work is being done and hands and brains are busy during longer hours than are worked in the United States.

To the north of the city, where tourists seldom go, are large factories and workshops.

**Methods of Working.**—The French workman works longer hours than the American, and, although his methods may appear careless, he gets good results. He does not take kindly to uninteresting work or quantity production, but prefers work on which he can use his natural inventive skill. He may smoke cigarettes and empty a bottle of wine during his working hours, and do other things which would shock the efficiency expert, but his day's output will compare favorably as to quality and quantity with that of the workmen of other nations. Like the American workman, he can be trusted to use his brains in carrying out his work.

**Increase in Manufacturing Power.**—The war, and American co-operation with the French factories, has brought automatic and complicated machinery into general use, with the effect of very considerably increasing the output per man, and yielding higher wages.

**American Goods in Demand.**—France is largely self-supporting as regards food, owing to its excellent climate, but it needs American cotton, tools, machinery, electrical supplies, and other manufactured articles in considerable quantities, quality and efficiency being more considered than low prices.

**French Credit.**—The standard of business honesty in France is high, engagements are generally scrupulously respected, while foreigners are treated fairly, both by business men and by the French laws.

Business is carried on in a dignified way and with proper courtesy, but the bargaining is keen.

**Special Artistic Capacity.**—In addition to inventive skill, the French have the gift of making things of beauty, a gift which is fostered by careful training and by the natural beauty of their country, as well as by the labors of generations in filling their towns and cities with objects of art as well as of utility. The Frenchman sees no reason why an article of use should not be also pleasing in appearance and he is right.

**Its Yield of Wealth.**—The facility of production of beautiful objects brings enormous wealth to France.

**Iron and Coal Supplies.**—As regards materials for manufacturing, France has now recovered her provinces of Alsace and Lorraine, with their rich deposits of coal, iron, and potash, and the enormous woolen and cotton manufacturing plants situated there. She is also entitled to receive from Germany an indemnity which in amount is more than sufficient to pay all her foreign war indebtedness. She could pay this off and have a good surplus by realising her own investments abroad, but this would be foolish.

**Repairing of War Damages.**—During the last 18 months she has so far repaired the damage done in Northern France as to allow of the general resumption of agricultural and industrial work.

**New Machinery and Plants Installed.**—New machine plants, installed in the most efficient type of

factories and works, have already replaced those destroyed during the war.

**Wireless Plant.**—At Bordeaux, the American army worked miracles in providing new shipping facilities and storage warehouses, and installed one of the most powerful wireless stations in the world.

**Hydro-electric Power.**—French engineers have been busy developing hydro-electric power from the abundant water power available in the center and south of France. Over 24 million dollars has been spent on this during the war, making over 60 million dollars now invested in these undertakings.

**Wealth from Colonies.**—The colonies of France are also being more rapidly developed as providers of agricultural and mineral raw materials for French manufactures. Her colonies are 22 times the area of France and they export to France 48% of their production, while they buy from her over 55% of their imports.

Algeria, Tunis and Morocco, which are near hand, produce large quantities of wheat, fruits and cattle, and have considerable areas of deposits of iron, zinc and lead. Petroleum has also been found, but has not yet been exploited.

**French Assets and Liabilities.**—The wealth of France is estimated to be 100 Billions of dollars; her debts to foreigners are six Billions and her total national debts only 35 Billions.

Her own investments in foreign countries are over eight billion dollars, more than sufficient to pay what she owes to the U. S., and every other foreign creditor.

**Extension of French Commerce: Important New Enterprises.**—Besides restoring her own industries on a larger scale than before, France is developing new enterprises, including railways and steamship lines, to bring the West Coast of Africa and all South America considerably nearer as markets. One scheme, which is destined to have an important effect on both European and American trade, is the construction of new railway lines along the Atlantic Coasts of Portugal and of Spain, and through Morocco to Dakar on the West African coast. From there the sea journey to the Brazilian Coast can be made within 3 days.

Another project is the flooding of a part of the deserts lying between Tunis and Algeria and the French West African colonies. Portions of these deserts are below sea level, and great inland lakes probably existed there ages ago. The reflooding of these would allow of the cultivation of huge areas of land which are now useless. The water communication thus provided would make the transport of early crops easy and cheap.

## BONDS OF FRENCH CITIES
### THE SECURITY FOR THEIR REPAYMENT

Bonds issued by the four chief French cities, Paris Lyons, Marseilles and Bordeaux, are favorite investments in France.

All of these cities are important centers of trade, their finances are well managed, and their credit is of the highest class, as is shown by the fact that their bonds have usually been issued at 3½% interest.

**Restriction of Borrowings by French Cities.**—No town is allowed to raise loans, by the issue of bonds, without the consent of the French government. The details of municipal finance are checked by a special government department and, before any loan may be raised, the authorities of the town must satisfy this department that the expenditure is necessary, that it will be remunerative, and that the municipal revenues are sufficient to provide for the annual payments of interest and for the repayment of the loan within the period proposed.

**Municipal Income.**—Most French towns own land from which they receive rents and they share in the receipts of the public utility companies to which franchises are granted for supplies of gas, electric light and power, street railways and other enterprises. Municipal taxes are levied on real and personal estates, and on persons and firms carrying on trades and professions.

Both the State and the municipal taxes on real and personal estate are collected by the National Government; its proper share is paid over to the municipality.

Many of the French towns levy duties on goods brought into the town; these are called "octroi" duties, and are charged on most articles of food, building materials, coal, gasolene, oil, etc. They yield a very large proportion of the total municipal revenue.

## PARIS

Paris has already been described in this book; it is one of the richest cities in the world and one of the great financial centers of Europe.

## LYONS

Lyons is a natural trade center, being the meeting point of the traffic to and from France, Switzerland and Southern Europe; it has been an important commercial town for the last 1800 years or more. It lies about ⅔ of the distance between Paris and Marseilles, and has a population of about 650,000; the total debt of the city is $33,000,000; roughly $50 per head.

The chief industries are the spinning, weaving, dyeing and finishing of silk fabrics; steel making, engineering, locomotive building, automobile and chemical works.

The Rhone and Saone rivers run through the town. The current of the Rhone, in its passage through Lyons, is rapid and the flow is sufficient to furnish all the electricity required for the motive power, heating and lighting of the whole Lyons district. Plans are already made for making greater use of this power.

The revenues of Lyons in 1918 amounted to over 28 million francs.

## MARSEILLES

This town is a center for Mediterranean and African trade and has been so ever since commerce was begun in the earliest ages of civilization.

It is the most important port on the Mediterranean, which is a sea having no tides, the water level for all its coast line being practically the same, every hour of the day and at all seasons.

The opening of the Suez Canal materially increased the trade of Marseilles with the Far East, India, South Africa and Australia. It is the chief port also

for the North and South American and the African trade of France, Switzerland and Italy, as well as for the French trade with other foreign ports on the Mediterranean.

The shipping facilities are sufficient to accommodate 2,000 vessels at any time, and further improvements and extensions are already in hand.

The Rhone river runs into the Mediterranean at Marseilles, through a wide and broken up channel. It is intended to canalize this river for a distance of over 200 miles inland. This scheme will reclaim over half a million acres of swamp land near Marseilles, now forming part of the mouth of the river.

The city is a center of large industries, including the manufacture of soap and vegetable oil products, sugar refining, shipbuilding, etc. It also contains extensive factories for making tobacco, cigars, matches and gunpowder, the manufacture and sale of which are government monopolies in France, yielding large profits.

The population of Marseilles is over 750,000; the municipal income two years ago was over 45 million francs, and the real estate owned by the city itself was valued at nearly 20 million francs. The total municipal debt is 225 million francs, equal to 45 million dollars, or $60 per head.

## BORDEAUX

This city is an inland port, on the Garonne river, opening into the Atlantic. It was the chief debarkation center for American troops and supplies during the war, and the U. S. armies enriched the town by

creating extensive new docks and warehouses, and by erecting the largest wireless station in the world, which has now been sold to the French Government.

The town is one of the great ports of Europe, although situated 60 miles from the Atlantic. It is the outlet for the trade and manufactures of the central and south western districts of France. Over 20 million dollars had been spent before the war in building the harbor and providing it with modern facilities. The additions made by the U. S. army now enable it to berth over 1,000 vessels at any time.

Bordeaux is the chief port for the French trade with Brazil, Argentina, and the French West African colonies. It is also the center of the Bordeaux wine district and much of this production is exported.

There is a considerable shipbuilding trade, the river Garonne being navigable for large vessels all through the year, and there are important engineering, automobile, woodworking, tanning, sugar refining, paper and chemical works in the district.

The population is over 300,000, the municipal debt is 116 million francs; roughly $77 per head; the annual municipal income is over 20 million francs.

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For the present market prices of French Municipal Bonds, and the profits obtainable by their purchase, see the section "What to Buy".

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## POINTERS—FRANCE

France, has sufficient gold on hand to more than pay, five times over, the amount of her share of the

Anglo-French loan due for payment in New York this Fall.

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France is raising nearly double the amount in taxes this year, as compared with 1919, the rate per head having been increased from $57 to $99, at the valuation of normal exchange.

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The trade balance of the United States against France was decreased by 16% in the first 3 months of 1920.

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Of the French 5% Government Loan of March, 1920, purchaseable at approximately $75 per 1,000 francs in New York (value at normal exchange $193), over 25,000 small American investors bought bonds of 1,000 francs each.

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During the 6 months from August 1, 1920, Germany is to deliver to the Allies (chiefly for use by French works and factories), two million tons of coal per month, the value of this to be credited to Germany.

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Britain is lending 25 million dollars cash to Germany to provide wages for the miners producing this coal.

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From November, 1918, up to June 29, 1920, work done in France by the reconstruction of ruined towns and farm land was as follows:

Out of 9 million acres of farm land, 7 million acres had been cleared of explosives, nearly 6 million of

this had also been cleared of barbed wire, and over 4 million acres of it is already bearing crops.

Of 277,000 houses partly destroyed, 185,000 have been repaired; 28,500 barracks and 44,000 temporary houses have also been built to replace 297,000 houses entirely destroyed. Over 60,000 shells fell in the town of Armentières, and the whole town had to be rebuilt from the foundations up.

Of the 3,500 factories destroyed in France, 2,600 have been repaired, and they are now employing over 300,000 workmen.

Over two billion dollars has been spent by the French Government on this reconstruction work, for which Germany will have to pay.

## DESCRIPTION OF FRENCH GOVERNMENT BONDS

Government Bonds are called "Rentes"; when they are redeemable they are called "Rentes Amortissables."

They are issued in two forms, Registered bonds (certificats nominatives), and Bearer Certificates (certificats au porteur). The bearer certificates have coupons attached for interest payments during 5 years.

These coupons can be cashed through American bankers and brokers, and the bonds themselves are accepted freely in the U. S. as collateral for bank loans.

In the case of loss of bearer certificates, they will not be replaced by the French Government, so they should be kept safely.

The 5% Government Bonds are free from French stamp duty or taxes, and there is no charge for renewing the interest coupons.

The appearance of French Government Bonds is rather strange to American eyes. A 1,000 franc 5% certificate would bear on its face the amount of "frs. 50." This means that the annual interest payable to the holder is 50 francs, which is 5% on 1,000 francs. From the French point of view, the buyer purchases the right to receive an annual interest of 50 francs, together with the right to sell that income at the market price, or to be finally repaid the face value of the bond, 1,000 francs, by the French Government. This is different to the ordinary understanding that the purchaser buys a capital value of 1,000 frs. For Government bonds, which are issued for long periods, the amount of the yearly interest receivable is the most important item.

## TERMS USED FOR FRENCH GOVERNMENT BONDS

La Rente 3% Perpétuelle—The 3% Irredeemable Loan.

La Rente 3% Amortissable—The 3% Redeemable Loan.

Les Rentes Françaises—French Government Bonds.

Une Coupure de 5 de Rente—A Bond giving the right to receive interest of 5 francs per annum.

Une Coupure de 30 de la Rente 5% Amortissable—A Bond of 30 francs interest per annum, of the 5% redeemable loan, principal 600 frs.

The capital value is calculated thus: a 5% Bond of 100 frs. yield interest of 5 frs. per annum; then, a 5% Bond of 600 frs. yields interest of 30 frs. per annum.

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See the section "What to buy," for present prices of French Government bonds and profits obtainable.

## BELGIUM—WEALTH AND RESOURCES

French is the business language of Belgium, but the people are of two races, Walloons and Flamands, speaking separate languages which are kept alive by newpapers and books published in their own districts.

**Agriculture.**—On the western side (the Antwerp, Brussels and Ostend districts), the country is almost as flat as a billiard table, and is intensively cultivated, much of it by manual labor. About three-fifths of the whole area of Belgium is under cultivation, and it produces crops of the average value of $100 per acre, the highest yield in the world. The land area damaged by the Germans was less than 1% of the total area of Belgium. Last year, 1919, the agricultural production was higher than the average before the war.

**Coal.**—The extensive coal mines of Mons are to the south, near the French frontier. Soft coal, in which Belgium was formerly lacking, has been found recently in large quantities in Limburg, and these deposits are now being developed, so as to make the importation of bituminous or long flame coal unnecessary for the future. The output of coal is already more than the average pre-war production.

**Iron and Steel.**—Belgian iron and steel are of excellent quality; the output of steel increased over 150% during the 10 years before the war.

Zinc was also treated to the extent of one-fifth of the world's production, chiefly for export.

**Plant and Machinery.**—During their occupancy of the country, the Germans spared the coal mines, as they needed the production, but they tried to prevent the future competition of Belgium in iron, steel and zinc by deliberately wrecking the blast furnaces and works and removing to Germany such machinery as they did not destroy.

The Treaty of Peace provided that the stolen machinery should be returned, and more than half of it has been recovered. The rest of it is being rapidly replaced with improved machinery.

In destroying a competitor's machinery and plants, the Germans were shortsighted; the result has been that the Belgians are installing new and better plants which will make their competition still more effective.

**Raw Material.**—The production of the Australian zinc ore mines was formerly controlled by Germany, but the Australian government has now taken control, and the production is reserved for the allied nations, including the U. S.—Belgium has been allotted over 240,000 tons of this ore for her industries. At the same time, the Canadian zinc mines were also freed from German control, and much of their production is being treated in the United States.

At present the production of Belgian zinc is about 70% of the pre-war average.

**Textiles.**—The extensive Belgian cotton, woolen, and linen spinning and weaving factories were kept at work during the German occupation, their production being sent into Germany; there are now in operation 1,400,000 cotton spindles, being 87% of the pre-war total. The woolen mills are being worked to their

full capacity, but out of 330,000 flax spindles, which are almost all fit for work, only one-third are in use owing to the failure to receive supplies from Russia, which formerly furnished a large proportion of the raw material for the Belgian mills.

**Glass.**—Belgium usually exported about 90% of her production of plate and window glass; at present the plants are working to 60% of their capacity; as the supplies of raw material are increased, production will increase in proportion.

**Railroads.**—The Belgian railway lines are owned and worked by the government, at a profit.

The Germans destroyed over 1,300 miles of track and over 1,400 bridges, and they sent into Germany all the engines, cars and railway materials which were not actually used by them for war purposes. On the other hand, the Germans built several new lines and doubled the tracks of existing lines, for military use. Much of the stolen material and rolling stock has been recovered, and the freight traffic is now about 80% of the pre-war average.

**Ports.**—Antwerp is the shipping port for the import of raw materials and the export of manufactured goods for the densely inhabited manufacturing districts of all Belgium, North and East France, South Germany, Luxembourg, Switzerland and the adjoining portions of Austria and Italy. The commerce of Antwerp is fed by an extensive system of canals and by an economical and efficient railway service, with low through traffic rates granted to adjoining nations.

The shipping traffic of the port is next in importance to that of Hamburg, being over 14 million tons per

annum. The recent proposed additions to the port would more than double its capacity.

Ghent, (Gand, or Te Gent) which is the Belgian cotton spinning centre, is also an important inland port; its cotton production is already higher than before the war.

Bruges has direct communication with the sea by a ship canal, with an outlet at Zeebrugge (Bruges on the Sea.)

**Colonies.**—The chief colony of Belgium is the Belgian Congo, which is about one-third the size of the United States. The most valuable part of this colony was held as the private property of the late King Leopold, and the inhuman treatment of the natives by his agents and troops was the cause of many serious and heated protests by foreign governments, both to the Belgian government, which stated its inability to control the King, and to King Leopold himself, who squandered on vicious pleasure the vast wealth obtained from this private domain.

After his death all of the Congo was placed under the control of the State; the new King relinquishing his rights to the territory. The treatment of the natives has been greatly improved, and Belgium has now received a mandate to govern the adjoining portion of a former German colony.

The Congo is one of the largest storehouses of the world for deposits of gold, diamonds, copper, tin, iron and coal. Cotton can also be grown, of excellent quality. Wild rubber, palm kernels and oil, ivory and copper, are amongst the principal exports. In 1919 gold was exported to the value of 18 million dollars,

and diamonds valued at 20 million dollars, in addition to over 40,000 tons of palm oil, and 23,000 tons of copper ore.

More than 1,300 miles of railway track is being operated, and 9,400 miles of rivers are open to cargo carrying steamers.

**American Trade Openings.**—The development of the Congo offers unlimited opportunities to American railroad, engineering, and mining industries, but capital is needed.

The investment of American funds in Belgium, to develop her colonies, would help the United States even more than it would help Belgium. If America does not take advantage of this opportunity other nations certainly will.

**Belgian Trade.**—The population of all Belgium is less than that of greater New York. The people are hard working and economical, by necessity. Their traders and bankers are enterprising, shrewd, and painstaking in seeking and developing foreign markets, but their opportunities at present are greater than their means.

Their knowledge of the physical geography, and the undeveloped resources, of foreign lands is far in advance of that of any other continental nation. Knowledge in this case brings them considerable wealth.

**Safety of Investments.**—The independence of Belgium is guaranteed by Britain and France. That this is treated by them as a solemn engagement was proved by the fact that the entry of the German army into Belgium was the immediate cause of the British declaration of war, for that stated reason.

Investments in Belgian securities are therefore safeguarded by the full military and naval powers of Britain and France.

**Why Belgian Exchange Is Low.**—The reason for the present low exchange value of the Belgian franc is the large amount now owing by that country for purchases of machinery, machine tools, and raw materials needed to equip her factories and to enable them to produce goods for export. All the previous stocks had been used, destroyed, or taken away by the Germans during their occupation. The whole of the Belgian industries are now busily engaged in making good the losses incurred through the war.

Already the balance of trade with Holland, France and Germany has been turned in favor of Belgium; she now only owes balances to those nations from whom she has been compelled to purchase food supplies and raw materials for manufactures, most of it at very high prices.

In the year 1919 the total Belgian exports were 460 million dollars, and the imports 1,000 million dollars at normal exchange values, showing an excess of imports of 540 million dollars, being chiefly food, raw materials, machinery and manufacturing supplies.

**Signs of Recovery.**—For the two months, January and February 1920, the exports were 200 million dollars, and the imports 345 million dollars, showing that the raw material purchased in 1919 was being rapidly turned out in a manufactured state. The other months of this year will probably show increasingly better results.

**Incentive to Restoration of Normal Exchange.**—Belgium lives by her export trade, and her bankers, manufacturers and merchants know that, in order to carry this on profitably, the restoration of gold payments and normal exchange rates is imperative. All their energy is being directed to this end and, at the present rate of progress, exchange should be restored to its former standard rate within the next two years.

In September, 1920, her exchange rate was already higher than that of France.

**Population and Area.**—The population of Belgium is 7,500,000, contained in an area equal to that of the State of Vermont. There are more miles of railway in Belgium than in any equal area of the world. These railways, owned by the State, have always given good profits. Their value is about ⅔ that of the total national debt.

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In the Section "What to Buy", details are given of the present market prices of Belgian Government Bonds and the profits to be made by their purchase.

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## POINTERS—BELGIUM

Of the total war indemnities to be paid by Germany, Austria and Bulgaria, Belgium is to receive 500 million dollars in gold, before payments are made to any of the other allied nations.

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Belgian exchange with the U. S. is already higher than that of France, because the Belgian factories have been able to recommence exporting more quickly.

Belgium bought largely of machinery and raw materials during 1919, her total imports having been 1,000 million dollars and exports 460 millions, valued at normal exchange.

In the first two months of 1920 the exports amounted to 200 million dollars, or nearly half the total of the whole year 1919.

## GREAT BRITAIN—IS SHE SOLVENT?

As regards the honesty of the government, it is sufficient to say that no British government or municipality or colony has ever defaulted in the full payment of its loans and interest.

**Britain's Burden.**—From the very commencement of the late war, Britain has had to finance her allies; even France, with her great wealth, had to borrow enormous amounts from Britain, which was the only allied nation able to collect quickly the great sums needed.

The total debt owing by Britain to foreign holders of Government securities is under $100 per head of the population of the British Isles. It is impossible for Britain at present to collect the loans made to her Allies for war purposes, so she is steadily increasing her production and paying off what she owes to the U. S. and to other creditor nations, in order to preserve her own credit. This is a wise policy, because, by allowing payment by her debtors to be delayed, a much larger sum will ultimately be received. Britain has also to carry the burden of financing several of the young nations created at the Peace Conference,

and she is carrying the weight of Mesopotamia and Palestine. All this puts a tremendous strain on her resources.

**Payments Already Made: Sources of Revenue.**—Great progress has been made in repaying British foreign indebtedness by revenue raised from heavy taxation of luxuries, amusements, trading profits, and the incomes of individuals. Production has also been largely increased and the adoption of automatic machinery and new processes, joined to the specialised training of workmen, have added to the productive power of her industries at least 50%.

Exports are increasing each month, while imports of all foreign articles, except raw materials, are restricted by heavy duties, and by complete prohibition as regards many articles of luxury.

**Forced Reduction of Imports from U. S.**—Purchases from America are further restricted by the present state of exchange, which acts as an import duty of 30%.

**Repayment of Indebtedness to U. S.**—The chief aim of the British Government is to repay at the earliest possible moment the amounts owing to the American Government and to American bankers. The fact that the British government, during the war, collected from its citizens and bankers almost their entire stocks of good American securities, for payments to be made to the U. S. A., replacing them by War Loan Certificates, is evidence of the fairness with which this question has been handled.

**British Bank Deposits.**—The money now placed on deposit with British bankers (loaned at interest

for fixed periods by their British customers), is more than double the total needed to repay the whole of Britain's indebtedness to the U. S. This proves that the nation is not insolvent, but her statesmen are too sane to make a levy on working capital for payment of war expenditure, a proceeding which some of the labor leaders recommended. The British know this would be killing the goose that lays the golden eggs.

**Industries at Work Again.**—Britain has settled down to steady work again, trade is brisk, and wages are high. There have been troubles with strikes but these have been dealt with satisfactorily, and the Trades Unions have been held in check. A recent strike of railway workers was smashed by the public, which considered the demands of the Trades Union to be unreasonable.

**When Will the War Expenditure Be Paid Off.**—During the 5 years, 1915 to 1919, the British Government borrowed two-thirds of the huge sums it needed for war and other purposes, but raised the other one-third by heavy taxation.

On March 31, 1919, the total amount owing by the Government to her own citizens and to foreign nations was nearly 37 billion dollars. Of this total only 6½ billion dollars was owing to foreign lenders, and against this there was due to Britain, from her allies and colonies, over 8½ billion dollars.

The British Government never pays off all its National Debt; it fixes a limit of debt which may be safely capitalised, as representing productive assets, which is to be repaid gradually by a sinking fund;

the excess over this safe load, representing expenditure of the war, has been arranged to be repaid from taxation and national revenues within the next five years.

**Man Power of U. K.**—The population of the British Isles is nearly 50,000,000, which is only a fraction of the man power of the Empire, each of its Colonies being also fair sized nations, growing rapidly in numbers and wealth. These nations, Canada, Australia, New Zealand, South Africa, etc., have no responsibility for the Mother Country's war debts, but they have volunteered to pay the cost of their own war expenditure and of their armies sent overseas.

**Increase of Territory.**—Britain has acquired control over large additional territories as a result of the war, and these are being actively developed.

**Why British Exchange Will Probably be the First to Recover.**—The record of results achieved since the declaration of Peace shows that Great Britain will probably be the first of the European nations to recover her former industrial and financial power, with, as a natural consequence, the restoration of the pound sterling to its former normal exchange rate of $4.87, through resumption of gold payments.

None of her territory has been invaded, nor has she suffered from the deliberate destruction of property by the Germans, such as took place in Belgium and Northern France. The losses of ships caused by the German submarines have been almost completely replaced by new steamers built in the British and Irish shipbuilding yards.

The wholesale scrapping of manufacturing plants and their replacement with new factories, equipped

with the most efficient machinery and labor saving devices, added to the general adoption of improved methods of quantity production, have very largely increased Britain's manufacturing power.

She has been fortunate too, in the possession of a clean and capable government which has been assisted willingly, in the restoration of peace conditions, by the ablest business men and financiers of the nation.

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Refer to section "What to buy" for present market prices of British securities and the profits to be made by their purchase.

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## POINTERS — BRITAIN

U. S. exchange with Britain is now at the rate of \$3.60 per £1, as compared with \$4.50 a little over a year ago; the American investor can now buy British Bonds from New York at 25% less than the British price.

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It cost the British Government nearly 4 billion dollars to keep the exchange rate in New York at \$4.87 to the pound sterling, in the early part of the war. Now that war expenditure has ceased and Britain is making large profits on her exporting and shipping trade, her exchange will return gradually to \$4.87 as the war debts are paid off, without government assistance.

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By trade custom most foreign nations use London as the clearing house for claiming payment of their

debts against other countries. As a consequence, the amounts due to the U. S. from other countries at present appear as part of Britain's indebtedness, and this is one of the causes why the British pound is at a very heavy discount. As against this, a general improvement in the trade of foreign nations, added to the repayments of British war indebtedness, may cause sudden rises in British exchange rates with the U. S. In the Fall season, Europe buys heavily of American foodstuffs, and all European exchange rates drop for this reason, but recover towards the end of the year.

The British Board of Trade has just published an official estimate of total British trade for the year 1920, based on the actual figures for the first half of the year. This estimate shows an excess of imports over exports of 2100 million dollars.

Against this deficit must be placed the so-called "invisible exports" of 3,000 million dollars, consisting of (1) income from British investments abroad, (2) earnings of British ships, and (3) other paid services.

The surplus of 900 million dollars will be available either to pay off indebtedness to foreign creditors or to help other European nations to recover their former prosperity.

Either method will ultimately improve the British rate of exchange.

The war cost Britain 50 billion dollars; one-fifth of this has already been paid, one-fifth at least will be paid during 1920, one-fifth more will be paid during the next five years; the balance will probably be

funded and repaid by a long sinking fund, as it will be owing to her own people.

Britain owes now the same amount of war debt, per head of her population, as she did at the end of the wars with the first Napoleon, over 100 years ago. She cleared off that debt with ease then, when her productive power in manufacturing, and her wealth, were not a tenth of what they are at present.

The British loans to Russia, France, Belgium, Italy, Serbia and other allies during the war, amount to 9,253 million dollars. The U. S. loans to the same nations were 5,295 million dollars, and to Britain 4,270 million dollars. Britain is repaying her own borrowings from the U. S. without waiting for her debtors to repay.

## SALVATION BY THE TRADE ROUTE

*Extract from the Sun and the N. Y. Herald, Aug.* 27, 1920, *reproduced by courteous permission of the Editor.*

"Misguided patriots who proclaim America's inalienable right to save the world from ruin will not, we hope, resent some plain commercial and financial facts indicating that this same downtrodden world is earnestly and successfully working out its own salvation.

July foreign trade of the United States included $654,000,000 exports, not far above the low record for this year. But our imports were $537,000,000, exceeded in all our history only once, and that in the previous month. The favorable trade balance in July was only $117,000,000, the lowest it has been at that period of the year since 1914. The favorable

balance in July, 1919, was $225,000,000. The seven months' favorable balance this year is $1,420,000,000, compared with $2,663,092,000 for the same period in 1919.

If this drop of nearly 50 per cent. in our favorable balance, both for the seven months and for July, most of it resulting from increased imports from Europe, does not indicate that Europe is again producing, getting on its feet commercially and working out its own salvation, cold figures mean nothing.

Still stronger proof lies in the report of British trade for July, which shows $775,000,000 exports, against $815,000,000 imports, leaving a debit balance of only $40,000,000. Great Britain's invisible revenue from ships, insurance and foreign investments is more than $250,000,000 a month, according to the British Board of Trade. This invisible revenue pays the trade deficit for July and leaves a good margin besides.

Sterling exchange has fallen to the low figure of $3.54, a considerable discount from the normal $4.86. Sterling is low, not because England could not put it at par in New York but because Great Britain, unhampered by pink tea philosophy about saving Europe for democracy, is deep in the business of helping Europe to save itself.

The spare cash in the English till is not being used to put the pound sterling back to par in New York. It is being used in all parts of the world, including the United States, to finance purchases and sales by France, Belgium, Italy, Germany, Austria, Hungary, Rumania, Czecho-Slovakia, Jugo-Slavia and the Baltic States. These markets are opened on privi-

leged terms to the British merchant, because the British banker stands behind him and the British Government stands behind both of them. What the English banker lends to the Continent now, he will later gather in at a huge profit in appreciated currencies. What he borrows in New York he will pay back with fewer pounds when he gets ready to put sterling up toward par again.

This is a practical, hard headed way of saving the world, in marked contrast to the idealistic Sunday school methods persistently advocated in certain quarters on this side of the water during the last two years."

## ADVICE ON INVESTMENTS IN BRITISH SECURITIES

The American exchange rates are exceptionally unfavorable to Britain at present because, like her European allies, she has been purchasing large quantities of raw materials, for installing additional manufacturing plants, and for working into goods intended for export.

**Delay in Payment for Exports.**—The interval between the purchase of such raw materials, and their export as finished manufactures, extends to several months, in addition to which a credit of about 9 months has to be given to the foreign purchaser.

Further, Britain is a large buyer of foodstuffs from the U. S., more than 50% of the food consumed is imported.

**Probable Movements of Exchange Rates.**—The steadily increasing exports, and the restriction of

imports to raw materials and necessities, will inevitably cause rapid improvements in exchange from the end of 1920 onwards. It is not likely that the exchange will fall to any extent below the present level, it will much more probably improve towards the end of this year. The pound sterling is quoted at present around \$3.50 (as compared with \$4.50 over a year ago) showing an advantage of 28% to the present investor.

**Why British Securities are Cheap.**—Money is greatly in demand in Britain for financing exceptionally profitable trade and good securities are therefore being sold much below their real worth.

**No British Income Tax Payable by American Investors.**—The British income tax on dividends from investments is heavy, but American holders of British securities are exempted from these taxes by making a declaration of non-residence in Britain. Any American or British banker or stockbroker will furnish declaration forms at the time purchases of British securities are made.

**Government Bonds.**—British Government securities are perfectly safe investments, and are likely to yield a quick profit by improvement of exchange. In the meantime they can be bought to yield a steady interest of from 5% to 7%, with a continual increase in value of the principal. The 5% Loan, repayable at par in 1922, is quoted around \$370 per £100 Bond, worth at normal exchange, \$487. The same bond, repayable in 1927, can be bought for \$5 less.

The bonds are freely saleable in New York and are accepted by American bankers as first class collateral.

**Bonds and Stocks of British Corporations.**—Most of the important enterprises in Great Britain are carried on by incorporated companies, called "Limited Companies", whose stocks are non-assessable.

Large profits can be made by American investors buying British industrial bonds and stocks; at present rates, they offer excellent security and yield good dividends, which are likely to continue, and even increase, during the next 3 years.

**Public Buying of Securities.**—The public invests freely in the bonds, (mortgage debentures) and Preferred and Ordinary shares (stocks) of industrial and mining companies, both domestic and foreign.

**Present Income Yield.**—British industrial securities of the highest class can be bought now to yield from 8% to 10% income, and the restoration of normal exchange should, in a very few years, yield further profits of at least 25% on the principal.

A description of the various classes of securities issued by British companies, and the methods of dealing, would require more space than the scope of the present book will permit.

They are explained in full detail in another book, "American and Foreign Stock Exchange Practice and the Business Corporation Laws of all Nations."

**Warning.**—No payment should be made to any firm advertising bonds or stocks for sale until after careful enquiry has been made as to their credit and reliability.

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See Section "What to Buy" for present prices of British securities.

## CANADA—HER GROWING WEALTH

**Development of Manufacturing.**—The war brought Canada into extensive manufacturing for the first time in her history. Until then she had been fully occupied in farming and in developing her timber and mineral resources.

**Exports.**—Her exports were mainly raw materials, which other nations manufactured. The necessities of war compelled the building of new manufacturing plants in Canada and extensions of existing factories and works. Steel shipbuilding was also begun on a large scale, and the industries connected with it were established.

**Increase in Imports Cause of Fall in Exchange.**—The profits made in these new enterprises have encouraged Canadians to make huge purchases from the United States of materials and machinery for the development of her industries generally.

The effect of this increased buying is that, whereas Canada's exports in 1917 exceeded her imports by nearly 40 million dollars, her exports in 1918 were 109 million dollars less than her imports. In other words, instead of having 40 million dollars to receive in 1918, she owed 109 million dollars. This means that she has acquired a large manufacturing plant by investing her war profits and by the use of her credit, but the purchase will be very profitable.

This indebtedness has caused exchange rates to move against Canada, as regards the United States, from whom she bought most of her machinery and materials.

At the time of writing (September, 1920) the Canadian dollar is worth only 88c. in New York, and Canadians buying goods from the U. S. must pay $1.14 per $1 of the American invoice price.

**Fall Only Temporary.**—This state of exchange cannot last. Canada is now exporting her large crops, for which she is getting good prices; the cash received will be used to pay her debts to the United States and the rates of exchange will soon return to nearly par.

The trade connections between the two countries are too close, and the boundaries are too near, to permit any such great difference of exchange to continue for a long period.

**Canadian Securities Now Cheap.**—The interesting part of all this to the American investor is that, for a short time only, good Canadian securities can be bought by Americans 12% cheaper than they can be bought by Canadian investors, owing to the American dollar being at a premium.

**Example of Profits to be Made.**—A $100 Bond which would cost the Canadian just $100 can be now bought in New York for $88. On exchange returning to the usual rate, this Bond can be sold by the American investor for around $100 in New York, the profit being over 12% (really 13½% on the amount invested), in addition to the interest which the bond yields.

There are a large number of industrial bonds and stocks which can be bought now to yield larger profits still, but the investor who has no special knowledge of Canadian securities would do better to keep to Government and Municipal bonds only.

**Canadian Government and Municipal Bonds.**—The credit of the Canadian government is of the highest class, and its bonds are safe investments. The credit of its municipalities is also good, no instance being known of failure to keep their engagements. Municipal bonds are generally issued to yield between 4% and 6% interest, but they can be bought at present so cheaply as to yield from 7% to 8% interest. The profit from the rise in exchange would add at least 12% profit on the principal.

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## POINTERS—CANADA

The Canadian dollar is at a premium in every country except the U. S., where it is at a discount of over 12%. The effect of this is that at present the American investor can buy Canadian bonds 12% below Canadian prices; this condition will not last.

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Canada is the best customer of the U. S. The chief trade centres of Canada are nearer to the manufacturing districts of the U. S. than are most of the American States.

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The following statistics show that Canada has recently bought from the U. S. more than she has sold, thus making the U. S. her creditor, the effect being a temporary fall in the exchange rate of the Canadian dollar.

## TRADE OF CANADA

| | 1918 | | 1919 | |
|---|---|---|---|---|
| | Imports From | Exports To | Imports From | Exports To |
| British Isles........ | $81,324,283 | $861,073,399 | $73,035,118 | $560,839,116 |
| Other British Countries............. | 46,731,088 | 43,953,531 | 50,636,422 | 65,557,002 |
| TOTAL BRITISH. | $128,055,371 | $905,026,930 | $123,671,540 | $626,396,118 |
| UNITED STATES. | 791,906,125 | 440,811,400 | 746,920,654 | 477,695,659 |
| All Other Countries. | 42,582,250 | 240,331,462 | 45,837,141 | 164,673,508 |
| GRAND TOTALS. | $962,543,746 | $1,586,169,792 | $916,429,335 | $1,268,765,285 |
| Aggregate of Trade. | $2,548,713,538 | | $2,185,194,620 | |

## GROWTH OF CANADIAN MANUFACTURING

| | | |
|---|---|---|
| CAPITAL Invested in Manufacturing and Transportation.................................. | Year 1890 | $ 331,635,499 |
| | " 1917 | 2,386,649,727 |
| INCREASE, nearly 720%......................... | | $2,055,014,228 |

## VALUE OF MANUFACTURES AND TRANSPORTATION

| | | |
|---|---|---|
| Value of PRODUCTS......................... | Year 1890 | $ 368,696,703 |
| | " 1917 | 3,015,577,920 |
| INCREASE, nearly 718%......................... | | $2,646,881,217 |

Canadian hydro-electric stations have cost 365 million dollars. Over 95% of Canadian electric power is produced from water power.

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During the war, the Canadian Government bought up many of the smaller railroads, with a view to extending them and developing the districts now inaccessible by rail.

## EXCHANGE AND FOREIGN BONDS

The Canadian Government Merchant Marine has arranged a world-wide steamship service by its own steamers, to commence August, 1920, the intention being to encourage export trade.

## CANADIAN GOVERNMENT WAR LOANS

| When Issued | Total Offered for Subscription | Total Subscribed |
|---|---|---|
| November, 1915 | 50 million dollars | Over 113 millions |
| September, 1916 | 100 " " | " 195 " |
| March, 1917 | 150 " " | " 236 " |
| November, 1917 | 150 " " | " 419 " |
| November, 1918 | 300 " " | " 695 " (Victory Loan) |

The present market prices of Canadian Bonds are stated in the later section "What to buy."

## GERMANY—WILL SHE RECOVER? ARE GERMAN BONDS SAFE?

Since the end of the war Germany has been busily engaged marking time, instead of proceeding with the reconstruction of her trade.

**Why Germany Has Been Standing Still.**—The delay in returning to production appears to have been part of a well arranged plan of bargaining for concessions in the terms of peace.

There appears to be no other valid reason why Germany should not have made as much progress towards peace conditions as have been made by France, Belgium and Britain in the same period. Both France and Belgium suffered considerably from wanton damage to their towns and villages, mines, works and factories. Germany escaped this by acknowledgment of her defeat. Her territories have not been invaded, her mines, factories and works are uninjured, and she has not suffered more than France in man-power. Yet both France and Belgium have almost completely repaired their injuries and resumed manufacturing, while Germany is still waiting. The obvious conclusion is that this stoppage is part of the plan for escaping liability for the damage caused during the war.

The recent Spa conference has shown that no more concessions will be granted by the Allies, and it may therefore be expected that Germany will now return to work.

**Germany's Military Failure a Real Benefit to Her.**—Germany has yet to realise that her failure in war, by relieving her from domestic military domination, has removed the greatest obstacle to her attaining real prosperity, of a lasting nature. Before the war of 1870 her people worked hard, lived economically, and were contented with moderate means. The industrial progress made later brought a period of overproduction, extravagance, and speculation, in anticipation of the coming war opening new avenues of wealth. It is now seen that the war was a blunder.

**Prospects of Improvement.**—There are signs that firm orders have now been given for political disturbances to be discontinued and for steady work to be recommenced.

**Purchases of Bank Exchange.**—German exchange is so low at present that the purchase of German securities may seem to be a gamble but, although it may require from 5 to 7 years, there is not much doubt that German exchange will return to its former gold level. In the meantime, purchase of exchange with German bankers is not to be recommended, but the Bonds of German municipalities are a fair speculation, as a lock up of spare capital, on the Dutch system of waiting patiently for results.

**Danger of Repudiation of German War Loans.**—Future German governments may either refuse to pay any of the War loans issued in Germany during the war, or they may make a compromise by cancelling a large percentage of the loans and issuing new Government bonds for reduced amounts.

As the loans were subscribed in Germany itself, the question is one for settlement between the German Government and the German people. Americans are warned against buying German Government war bonds.

**Municipal Bonds; Their Safety.**—The loans to German cities are of a totally different kind, having been raised generally to pay for the upbuilding or extension of municipal undertakings, which yield a profit. The cities have still on hand the properties acquired with the money borrowed. There is not the same reason for repudiation of these loans as there is for refusing to pay money wasted on the War.

The investor in German securities should restrict himself to German municipal bonds of the chief towns, and to good industrial bonds.

**German Income Tax.**—There is a German income tax of 10% on interest and dividends receivable from bonds, but the profits obtainable by an American purchaser of German securities are so large as to make this tax of no importance.

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## POINTERS—GERMANY

German good class industrial 5% Bonds are quoted in Germany at around 90% of their face value. At the exchange rate of 2 cents per mark (nominal gold rate 23.80 cents per mark) a 1,000 mark bond can be bought from New York for $20. By holding until German exchange returns to the former normal rate, this bond could be sold for $238. Every im-

provement in the present rate of exchange proportionately increases the value of the bond, which can be sold at any time.

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City of Hamburg 4½% Bonds of 1,000 marks, could be bought early in June at $19 in New York. A month later they had risen to $24. At the normal rate of exchange this bond could be sold at $238.

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The Germans are highly trained workers; having got rid of most of her enormous military expenditure, the nation should prosper more than before.

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For details of present market prices of German currency notes and bonds, and profits to be made, see later Section, "What to Buy."

## AUSTRIA—RESOURCES OF THE NEW REPUBLIC

The Austrian Empire before the war was composed of a number of small nations which did not agree very well, but were held together by force.

**Former Austrian Dependence on Germany.**—It was to the interest of Germany, after the war of 1866, to keep the Austrian Empire intact and German military power was always ready to help in keeping restless nationalities well under the control of the Austrian authorities. In return for this assistance, Germany obtained a dominating influence over the policies of the Austrian government as regards both home and foreign affairs, and was enabled to make a greater use of it on account of the former Austrian Emperor being very old and incapable.

This power was increased by Austrian reliance on Germany for financing her industries. Austria was, in fact, a dependency of Germany.

**The Release of the Smaller Nations.**—The German defeat removed the iron grip over the Polish, Hungarian, Balkan, and other nationalities which had been previously unsuccessfully struggling for separation from the Austrian Empire; the recognition of their independence was an essential part of the terms of peace.

**Shrinkage of Austrian Area and Wealth.**—By the lopping off of these branches, Austria has lost very considerably in area and population, and still more in wealth. The central portion of the Empire, Austria proper, formerly acted as a trade intermediary and a

receiver of tribute from its dependent states. The new Austria is now in the position of a gentleman farmer who has been deprived of the greater part of his farms, which have been given to his former tenants, with the result that he is compelled to produce more from the land remaining to him and to develop mining and manufacturing to help out his farming profits.

**Prospects of Recovery.**—This change has thrown Austria into confusion, but her agricultural and mineral resources are still sufficient to provide the Empire with the means of recovering a fair degree of her former prosperity, especially with the former German restraint on competition removed.

**Existing Resources.**—The capital, Vienna, is still a centre of international trade, the country has considerable deposits of metals and mineral oil which are undeveloped, and her forests, which have always been efficiently managed, will yield large revenues by furnishing cheap raw material for her established wood working industries. She has some good engineering works.

During the war the making of automobiles was begun, and the output is now over 10,000 cars per annum. Austrian works have also specialized in the making of heavy tractors and caterpillar trains, which are in demand for use in all new countries in process of development.

**Further Resources Available.**—Austria is an important cattle raising country, and her production of live stock and dairy products can be largely in-

creased. The wheat and other food stuffs consumed by her population have formerly been imported from dependent states, but more attention is now being given to the raising of crops within her own boundaries; land previously lying in fallow near Vienna has recently been put under the plough and it gives profitable employment to over 200,000 workers.

There are large undeveloped salt beds near Krems and in Styria, the production from which would find a good market in Czecho-Slovakia, which has no salt.

The provinces separated from the Empire formerly supplied cheaply all the coal needed for Austrian factories and works and no attention was given to the development of the valuable seams known to exist in Styria and Upper and Lower Austria. These are sufficient to supply all Austria's needs. There is also mineral gas in Welsa Haide.

The Empire obtained almost all the iron ore it needed from the Alpine territory now ceded to Italy, but there are equally large deposits, in Styria and other districts, easily capable of replacing those supplies.

The present output of lead, zinc, and copper can be largely increased without great expense.

**The Lessons of the War.**—The sufferings and loss caused to Austrians through the war have proved the foolishness of military ambition and have disposed the population to the less showy but more comfortable and profitable paths of peace. Austria still owns considerable amounts of foreign investments, yielding good revenues, and the country is well placed to become the market for the production of the neighbouring States.

The development of the natural resources of the country, the cultivation of trade as intermediaries, and the increase of plants to utilise Austrian raw material, would provide steady occupation and a comfortable living for the whole of her population.

**Examples to Follow.**—The prosperity of Switzerland, the Netherlands and Belgium, which have considerably less natural resources, gives encouragement to those who confidently expect that Austria will be equally successful.

**Opportunities for Americans.**—She now needs capital and machinery and men of experience to develope her mining resources. Here is a chance for American enterprise. The climate is good, living conditions in normal times are pleasant, and there is abundance of sport of all kinds for Americans staying in the country.

**Advice on Investments.**—The American investor is not advised to place any of his funds in Austria or its former dependent States at present, unless under the protection of thoroughly reliable agents.

The profits to be made are large, but the risks are too great for people who cannot be on the spot themselves or obtain thoroughly reliable men to protect their investments.

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In the later section "What to buy," details are given of Austrian Bonds and their present market prices.

## ITALY—HER COMMERCIAL REORGANIZATION

At the time of the outbreak of the war, Italy was largely under the financial control of Germany.

**Financing of German Overseas Trade by Competitors.**—German export trade was mainly financed by bills of exchange which were sold by the German banks, in enormous quantities, to French, Swiss and British bankers. The endorsement of those bills by the German Banks made them better investments in the eyes of foreign bankers than the bills of exchange of the exporters of their own nations.

With the capital thus obtained, the German exporters were assisted in competing strongly for foreign trade and were unabled to give longer terms of credit than their rivals.

**German Control of Italian Banks.**—The German banks used part of their capital to purchase controlling interests in Swiss and Italian banks, which were utilised as outlets for further quantities of German bills and for selling German industrial bonds and stocks.

Additional German banks were established, under Italian names, in Milan and other Italian towns; these banks specialised in making advances to Italian manufacturers and exporters.

**German Grip on Italian Commerce.**—The result was that when war was declared, Italian commercial finance was entirely dependent on Germany, and the German banks had unloaded almost all their

foreign Bills of Exchange on to Italian, French, British and Swiss bankers, thus tying up their resources for lengthened periods.

**Effect on Italian War Policy.**—Under such circumstances, Italy dared not declare herself against Germany until Britain and France could support Italian finance, and this was impossible during the early stages of the war.

**New Banking Corporations for Italy.**—Italy and the other nations have now learned their lesson and the German domination of Italian finance is gone. The largest French and British bankers have formed banking corporations to operate solely in Italy and to extend their trade in that country. The banks of both these nations also support the existing Italian banks.

**Italian War Losses.**—Though Italy did not enter the war until its later stages, her industries suffered considerably through their financial dependence on Germany. She also incurred considerable expense in preparing for the expected attack by Germany and Austria. Italian losses in men were comparatively small.

As the result of the war, she has obtained a long desired extension of her northern frontier, at the expense of Austria, but her claim to almost the entire coast of the Adriatic, on the Austrian side, has not been agreed to, for the reason that it would shut off from the sea almost the whole of the former Austrian and Hungarian territories. This could benefit no nation but Italy, while it would seriously retard the development of the new nations.

**Italian Agriculture.**—It was not until 1860 that Italy became a united nation and won her complete freedom from Austria. Since then her agricultural production has increased to 370 million dollars per annum, being five times its former amount.

About 34 million acres are cultivated, of which nearly 12 million acres are in wheat. The total agricultural yield is estimated to be worth 1360 million dollars, of which wheat accounts for 235 million dollars. The climate of Italy is very favorable to the cultivation of the silk worm, and the production of raw silk for exportation is the next most lucrative business to the production of wheat. About 11,000,000 lbs. of raw silk are produced per annum.

**Manufacturing Growth.**—Until 1880 the chief industry was agriculture. From 1880 to 1913 great progress was made in developing manufactures, and the yearly output rose in that period from 120 million dollars to 600 million dollars. Of her population of 36,000,000, about three-fourths are now employed in agriculture and one-fourth in manufacturing and trading.

Iron and steel industries have been established in Italy and powerful foreign companies have built extensive plants for shipbuilding. Machinery and machine tools are made in quantities for the spinning and weaving mills, and for paper making.

**Prospects for U. S. Trade.**—Italy has been able to supply her own needs in agricultural machinery up to the present, but the increased cost of field labor will probably cause a larger use of machinery, which

will lead to imports of American plows, reapers and other machines.

Large automobile factories have been built in Milan, Turin, and other centres, their production is chiefly of high grade cars.

**Electrical and Engineering Trades.**—Italy has built up a considerable trade in electrical machinery, but only after a desperate struggle with German and Austrian financial and manufacturing interests. Now that this restrictive influence has been removed, she is immensely increasing the use of waterpower for developing electric power for manufacturing and lighting purposes. Over 1,200,000 horsepower is already being used, and it is estimated that this can be increased to six million horsepower.

**Trained Workmen.**—During the early part of the war, while Italy was neutral, Italian engineering plants were largely increased, to produce war materials, and numbers of Italians emigrated to the United States to work in American machine shops, at high wages. These men, trained to American methods, have lately returned to Italy with their savings; they make a powerful reinforcement of skilled labor for still further increasing her manufacturing strength.

**Italian Emigration to America.**—There are twice as many Italians in Brazil as there are Portuguese, and twice as many Italians in Argentina as there are Spaniards.

The Italian has for some years been the hardworking artisan, builder and small trader of Europe and South America; his labor is also highly valued in the construction of railroads.

Large numbers have settled in the United States, where they prosper both as workmen and small traders.

**Thrift of Wage-earners.**—A large proportion of the Italian workmen return to their own country after having saved enough to provide them with the means of buying a farm, an olive grove, or a vineyard, or of establishing a small business there. This brings a continuous flow of capital into Italy; the earnings of Italian steamers and the revenue from tourists more than make good the excess of Italian visible imports over exports.

**Italy's Chief Asset Is Her Agriculture.**—Although her manufacturing output is increasing rapidly, Italy will probably make more profits from agriculture during the next 5 years, as during that time food of every description will be greatly in demand, at high prices, all over the world.

With her spendid climate and her large supply of comparatively cheap labor, Italy should derive sufficient profits from this source to considerably improve her financial position and bring her exchange to nearly normal within the 5 years stated.

**Trade Agreement with Austria.**—An arrangement has recently been made for complete trade reciprocity between Austria and Italy, and for an advance by the latter to Austria of 100 million lire, being about 20 million dollars at normal exchange. This arrangement is to the advantage of both countries.

**Italian Taxation.**—For the fiscal year 1919–1920 the Italian government reports a total revenue of seven and a quarter billion lire.

This exceeds the estimated income by one-third, and it is a quarter more than the yield of the previous year.

**Example of Investment in Italian Securities.**—The nominal or gold rate of exchange of the lira is 19.3 cents. At present it is quoted at 5 cents, which leaves a large margin for increase.

The Italian 3½% Government Bonds can now be bought at a quarter of their face value. This makes the interest on the outlay 14% (4 times 3½%).

Until the outbreak of the War, these bonds were valued at 94% of face value; their lowest market price in 1919 was 43½% and the highest 69½%, as compared with 25% now.

Purchases of these bonds should be made only through responsible brokers and bankers in the U. S.

**Tax on Bonds.**—The Italian Government levied a tax on the capital value of all bonds, stocks and other personal property held by Italian citizens at January 1, 1920, to be paid by 20 annual instalments, which is equivalent to a tax of 5% per annum on the face value, not on the market price. Small fortunes were exempted from the tax.

Care should be taken to avoid buying bonds which are subject to these payments. Those portions of the Italian War Loans which were subscribed abroad (out of Italy) are exempted from this capital stock tax. Deposits of money with Italian banks are also exempt.

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See later section, "What to Buy", for details of Italian Bonds and of profits obtainable by their purchase.

## RUSSIA—PRESENT AND FUTURE

**Warning as to Bank Exchange Purchases.**—There are no Russian securities which the American investor could safely buy at present, nor can the purchase of exchange with Russian bankers be recommended, as their funds are liable to be taken from them by armed force. The government bonds issued in France before the war will probably be recognized as legitimate indebtedness when order is restored.

It will need several years, and some hard fighting, to get rid of the gang of unscrupulous adventurers who are at present in power in Moscow and Petrograd, and to establish a sane and responsible government, instead of the present terrorism.

**Difficulties of Government.**—Russia is greatly lacking in railroads and good roads. For this reason, it is difficult for any government to exercise authority over the outlying districts. Even in the days of the Czars, the governors of the various provinces exercised absolute powers and were practically uncontrolled.

The small towns and villages are at present self-centred and make their own regulations, ignoring entirely the political parties in power in the large towns.

It will not be until Russia is provided with a network of railways that any single government can control this immense empire.

**Several Separate Republics Probable.**—The most likely result of the present internal struggle is that several independent republics will be established;

in the west, adjoining Poland; in Siberia, in the central provinces, and in the eastern territories, in addition to the already established Ukraine Republic.

**Russia a Valuable Market for U. S. Manufactures.**—When responsible governments are established and can offer reasonable security for life and property, Russia will be the most valuable market in the world for the machinery and manufactured products of the U. S. At present there are no guarantees of this kind, and new Russian investments are best left alone by those who cannot be on the spot to protect their own interests.

**French Influence on Russian Affairs.**—The French are large holders of Russian government bonds, and they may be relied on to do everything possible to bring order into Russia, but, even with the civilizing influence of trade, it will be several years before any Russian government can be safely trusted with American funds. When a responsible government is formed it will have to raise funds by a new foreign loan. It is certain that this will not be subscribed abroad unless bonds issued before 1914 are recognized.

**Dishonesty of Russian Rulers.**—Before the war, graft in Russia was so common and so wide spread that it was estimated that only one quarter of the net proceeds of the Russian Municipal Loans subscribed in France ever reached the municipal coffers. At present it is so easy for the men in power in Russia to collect wealth by force that there is no incentive to issue new loans or to encourage trade with foreign nations.

**Russian Bank Exchange.**—The best advice that can be given to intending buyers of Russian exchange is "DONT". If already bought, write it off as a loss, and forget it.

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**What to Buy.**—See later section, "The Best Foreign Bonds to Buy", for details of Russian bonds and the chances of profits to be made by their purchase.

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## POINTERS—RUSSIA

The State Department at Washington has recently announced that trading with Russia, by Americans, is now permitted in all kinds of goods except war materials.

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One of the chief reasons why the Red Armies will fight for such an unsatisfactory government as they have at present, is, that this government has given all the land and other property to the common people, who are now fighting to keep it; they are told that any other government would deprive them of it.

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Not very long ago the laborers on the estates of the great landowners were held to be part of their property, to be disposed of just as freely as the horses and cattle. It was not until the reign of the father of the late Czar that these laborers, called "serfs", were given their freedom.

Similar conditions to those which existed in Russia up to the time of the war, existed in a less degree in France, before the French Revolution of 130 years ago. History is repeating itself. France passed through a reign of terror similar to that now existing in Russia, but she recovered, as Russia will. Every European nation was afraid of Communism spreading amongst its own people then, in the same way that governments are afraid of Bolshevism now; this later phase of Communism will die out like the previous ones.

## THE UKRAINE AND ITS RESOURCES

**The Ukraine and Its Resources.**—The Ukraine, which includes all South European Russia north of the Black Sea, has formed itself into a separate republic, not yet recognized by the U. S. Government. It has an area of 330,000 square miles and a population of 45 millions. The climate is good and its land has been for several generations one of the chief sources of the food supply of Europe. The average production is over 7 million tons of wheat; 4½ million tons of rye, 5½ million tons of barley, 5½ million tons of sugar beet, and 11 million tons of potatoes.

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The large estates formerly owned by absentee Russian nobles have now been given to the peasants for farming. The Ukraine contains extensive deposits of iron ores, coal, manganese, mercury, salt, graphite and sulphur.

Her oil fields produced nearly 2 million tons of oil in 1911, this output being only exceeded by the U. S. and the Caucasus oil territories.

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The chief outlet for Ukrainian exports is the Black Sea and thence to the Mediterranean.

The country needs good roads, railways, river and ocean steamers, and agricultural machinery. America has the opportunity of furnishing these and of making large profits by supplying capital for developing the country still further.

But, American capital invested should be under the control of resident American agents only.

## WHAT TO BUY IN SMALL AMOUNTS

**Quantities Purchasable.**—Stockbrokers and dealers in foreign securities do not care to accept orders for less than £100 sterling ($360) 5,000 frs. or lire ($350) 10,000 marks ($200), etc.

If less than these quantities are desired, it is necessary to find others to join in the purchase.

**Buying Foreign Currency Notes.**—Although it is not always possible to buy foreign securities in small amounts, it is easy to invest any sums in currency notes of the various countries, with very little trouble.

**Market Prices.**—This paper money is perfectly safe and can be turned into cash at any time, at a small reduction from the rates of exchange quoted daily in the newspapers. In every town there are dealers who buy and sell these notes; the dealers buy at a little less and sell at a little more than the published market prices for exchange.

**Calculation of Prices.**—French Notes are for 5, 10, 20 and 50 frs., 100 frs., and 1,000 frs. With exchange at 7 cents per franc, the 50 franc note would be worth 50 times 7 cents, or $3.50.

The values of Belgian, Italian and Swiss Notes can be found in the same way, the coinage being alike. Belgium issues 1 and 2 franc notes, Italy issues 1 and 2 lire notes, in addition to the values just named.

German Notes of 100 marks, at the exchange of 2c. per mark, would cost 100 times 2 cents, or $2. The notes issued are 5, 10, 20, 50 and 100 marks.

British Government currency notes are for 10 shillings and one pound sterling; Bank of England Notes are for 5 pounds sterling; £10, £20, £50, £100, etc. The rates of exchange are quoted in America at dollars and cents for the pound sterling. At the exchange of $3.60 a £1 note can be bought at slightly over this price, say $3.70; the standard gold value is $4.87.

The currency notes of the British Government for 10 shillings and one pound, and the Bank of England notes for £5 and upwards, are all legal money.

The Bank of Scotland and the Bank of Ireland issue £1 notes which are legal money in Ireland and Scotland respectively, but not in England or Wales. Government currency notes and Bank of England Notes will be accepted throughout the British Isles.

Australia, New Zealand, the Union of South Africa and Jamaica, also issue £1 notes; these usually realise 10c less per £1, as they are not so much in demand.

Canadian Notes of $1, $5, $10 and upwards, are legal money in Canada only, not in the United States. These notes can be bought at present at a discount of about 13%. This difference will be only for a short time.

**Gold Money.**—Gold coins of foreign nations are at a premium; the present price of gold as a metal being much above the usual price. Gold money cannot, therefore, be obtained at the same prices as bank notes or bonds. The small investor is advised not to buy foreign gold money, there is no profit in it.

**Buy Small Units.**—When buying foreign currency notes, it is better to buy them in the small amounts,

because they are more easily sold, and they bring a higher price. The same advice applies to foreign bonds.

For example, a purchaser of 3,000 francs of French money should buy 60 notes of 50 francs each, rather than 3 notes of 1,000 francs. In the same way he should buy 30 bonds of 100 francs each, rather than 3 bonds of 1,000 francs.

**Savings Invested at High Interest.**—Any reader who can save even a few dollars per week is recommended to buy foreign currency notes with his spare funds. The interest which would be received from a bank cannot compare with the rate of profit to be obtained by the rise in exchange. These notes can be bought in small amounts in every town, and they can be sold for cash immediately and anywhere.

Profits can be taken whenever the exchange rate has risen a few cents per unit of money, although it is better to hold the notes for one or two years until exchange returns to the normal rates.

**Profits to be Made—How Soon?**—The following table shows the high rate of profits obtainable by purchasing foreign bank and currency notes.

The largest profits are to be made in French, Belgian, and Italian notes, the quickest profits, although smaller, will probably be made in British and Canadian notes.

Instead of buying German and Austrian Notes, the money should be invested in municipal bonds of these countries.

Russian notes should not be bought at all, nor Russian bonds except those issued in France before 1914.

**PRICES OF FOREIGN BANK AND CURRENCY NOTES AND PROFITS ON PURCHASES**

| Country | Normal Rate of Exchange | Prices of Notes on Aug. 23, 1920 | Profits Obtainable | |
|---|---|---|---|---|
| | | | In Money Per Unit | Per Cent on Cost |
| France......... | 19.30c per franc | 07.10c | 12.20c | 171% |
| Belgium........ | 19.30c per franc | 07.55c | 11.75c | 155% |
| Italy........... | 19.30c per lira | 04.70c | 14.60c | 310% |
| Greece.......... | 19.30c per drachma | 11.22c | 08.08c | 72% |
| Switzerland..... | 19.30c per franc | 16.65c | 02.65c | 16% |
| Great Britain... | $4.86 per £1 | $3.67 | $1.19 | 32% |
| Canada......... | Equal to U. S. $ | 90c per $ | 10c | 11% |
| Norway........ | 26.80c per krone | 14.65c | 12.15c | 83% |
| Sweden......... | 26.80c per krone | 20.45c | 06.35c | 31% |
| Denmark....... | 26.80c per krone | 14.65c | 12 15c | 83% |
| Holland........ | 40.20c per florin | 32.45c | 07.75c | 24% |
| Spain........... | 19.30c per peseta | 15.15c | 04.15c | 27% |

**The following currencies are risky**: buy Municipal bonds instead of Notes

| | | | | |
|---|---|---|---|---|
| Germany....... | 23.80c per mark | 02c | 21.80c | 1090% |
| Austria......... | 20.03c per crown | ½c | 18.80c | 3690% |
| Czecho-Slovakia | 20.26c per krone | 01.90c | 18.46c | 1025% |
| Russia.......... | 51 46c per rouble | 01.35c | Don't Buy Russian Notes | |

On Sept. 25, 1920, prices averaged 6% less than shown above, but these are likely to be the bottom prices.

**Advice.**—Buy Belgian, French, British, Canadian and Italian currencies in this order; buy some of each, rather than all of one kind. Sell those which rise quickly, and buy the others which have been slower in rising.

## WHAT TO BUY—IN MODERATE AND LARGE SUMS

**Bank Notes.**—The least troublesome way of investing is to buy foreign bank notes and currency notes. Full details of their present prices, and the profits to be made, have been given on the previous pages. Follow the advice there given as to the kinds to be bought.

If in doubt, ask your banker to give you the name of a dealer in these foreign notes, and buy direct. Do not buy from strangers, only from established firms.

**Bank Exchange.**—Do not buy exchange on a foreign banker, except as a preliminary to investment in bonds and stocks.

Funds on deposit abroad are not quickly or easily sold and, although a fair interest may be allowed now, the rates are likely to be reduced.

**Why Bonds are Better.**—The advantage of buying bonds, rather than bank exchange, is that the bonds are likely to increase in market value, as well as in exchange value. Further, the purchaser has his investment in his own possession, and the bonds can be used immediately as security for borrowing, if the need occurs.

**Foreign Government Bonds.**—The National Bonds of France, Belgium, Great Britain, and Canada are amongst the safest investments in the world. They are also free from taxation of interest or principal.

The Italian Bonds (with some exceptions) are subject to a capital tax, as explained in the section of this

book dealing with Italy. Austrian bonds will also shortly be subject to a capital tax.

German War Loan bonds are likely to be reduced as to principal. Russian Government Bonds, issued prior to 1914, are a gamble, with the chances in favor of the purchaser.

**Municipal Bonds.**—The bonds of the chief cities of France, Belgium, Great Britain and Canada are safe and sound. German and Austrian Municipal Bonds are also good; although the interest may be heavily taxed, the probable larger profits on the principal should more than compensate for this.

**Industrial Bonds.**—British industrial bonds and stocks, shown in the lists on later pages, are good and offer excellent chances of increase in value within the next 12 months.

French Railway Bonds, and the bonds of the large German industrial firms and land banks, are also recommended as likely to yield good profits through the increase in market price, and by reason of the rise in exchange.

**Which Exchange Rates Will Rise Quickly.**—Lists of the best investments of each country are given in the following pages. French, British, Canadian and Belgian bonds and stocks should be the earliest to rise in market prices and exchange values; German, Italian, Austrian and Russian bonds may be slower, but the margin for profits is greater.

**New York Stock Exchange Quotations; Difference Between External and Internal Loans.**—Several foreign countries have issued loans in New York, of which the principal and interest are payable

here in dollars. The variations of exchange have no effect on the market prices or the interest yield of these bonds. Their prices, quoted in the New York newspapers, should not be taken as the prices of the foreign internal loans. These latter are purchaseable at considerable reductions, on account of the premium on the American dollar. The guarantees behind the bonds are exactly the same, and the internal loans will ultimately yield larger profits to the American investor, through the rise in exchange. To avoid the loss on exchange, interest or dividends should be collected in the country of origin and re-invested there.

**How to Buy.**—First of all, the investor must decide what securities to buy. (See later paragraph "selecting the investment".) The author's advice is to buy bonds of two or three countries, instead of those of one country alone. The next step is to decide whether to buy in New York or in the country whose bonds or stocks are to be purchased.

Foreign internal Government bonds and municipal bonds are not listed on the New York Stock Exchange, but there are a number of firms in New York specialising in their purchase and sale.

**Methods of Buying.**—One method of purchasing (only available for large amounts) is to place the order direct with a member of the Stock Exchanges of Paris, Brussels, Milan, London, or Berlin. Payment may then be made by a banker's draft, payable in these towns, which can be purchased from any of the large American banks, or the money may be cabled through the bank. The buying order will not be

executed by the foreign stockbroker until he actually receives the funds.

If the intending purchaser does not know any of the stockbrokers in the foreign towns, he may give the order to his American banker to have the purchase made through his banking agents abroad. In this case the purchase price will not be known at once, and there may be delay in execution of the order, as this is not a part of the usual duties of a banker.

Another method is to ask for a firm quotation from a dealer who makes a special business of trading in foreign bonds. These dealers are in constant touch with the foreign bond markets.

Some of these firms require the whole purchase price to be paid with the order, others will accept 25% deposit, the balance being payable on delivery of the securities.

**Buying on Margins.**—A few of the large firms will buy on a margin of about 30% and lend the remaining 70% as a time loan. Foreign stockbrokers will do the same, for customers they know, but the carrying charges for the loan would then be heavier.

**Loans on Purchases.**—If a loan is required, the best plan is to pay the broker in full, take up the securities and deposit them with one's own banker, as security for a time loan. The Bonds can then be sold for cash at any time; the sale can be made through any member of a stock exchange or firm of curb brokers, or through a dealer.

**Delays in Delivery.**—Several of the New York dealers in foreign bonds carry stocks of the chief securities and can deliver at once. In other cases

there may be a delay of four weeks or longer before the securities reach New York from abroad.

**Bearer and Registered Bonds.**—Most of the foreign bonds are bearer bonds, transferable by the mere handing over. Municipal and industrial bonds are also generally to bearer, but some British municipal bonds, and almost all British stocks, are registered and the delay in delivery may then extend to two months. For this reason it is advisable to deal only with first class firms.

**Selecting the Investment.**—The prospects of increases in value of the Bonds of the various foreign countries have been discussed in separate chapters of this book. These should be read carefully. If the funds to be invested can be left for long periods, they may be invested in bonds of the countries whose currencies are at the largest discount, such as Italy, Germany, Austria, and Russia.

Funds which may be required in a year or less should be invested in British, Canadian, French or Belgian securities, as these are the most likely to rise rapidly. Argentine and Japanese Sterling Bonds will move with the British exchange.

**Profits Realisable at Any Time.**—The largest profits will, of course, be made by holding the securities until the complete restoration of normal exchange rates, but profits may be taken at any time exchange has risen appreciably. The newspapers show the daily changes in exchange rates; the prices of bonds rise or fall in the same proportions. Interest coupons can be collected through any bankers.

**Avoiding Taxation.**—Most of the Government bonds are free from taxation by the governments which issue them, for other securities the broker or banker through whom the purchase is made should be asked to furnish the forms of declaration which exempt the American holder from foreign taxation on the interest receivable.

**Borrowing on Bonds Purchased.**—One great advantage of bearer bonds is that no written transfer is required, they are transferred by being simply handed over.

For this reason, no formalities are required in using them as security for loans. The best foreign bonds are accepted by American bankers as good security for loans. The purchase of such bonds is a very profitable use of surplus money and loans can be obtained on them for about 70% of their market values as at the date of borrowing.

Where an arrangement can be made with a banker for a time loan, it pays to buy a larger quantity of the securities and borrow part of the money required.

Here is an illustration:

## EXAMPLE OF INCREASED PROFITS BY BORROWING ON BONDS

| | Using all own money | Borrowing two-thirds |
|---|---|---|
| Purchase of Foreign Securities, Cost........ | $10,000 | $30,000 |
| Interest received, 5% nominal, say 8% on the Cost.................................. | 800 | 2,400 |
| Proceeds of Sale, after 1 year, on rise of 20%. | 12,000 | 36,000 |
| Total Receipts........................... | 12,800 | 38,400 |
| Less Cost, as above...................... | 10,000 | 30,000 |
| GROSS PROFIT................ | $ 2,800 | $ 8,400 |
| Less Interest 8%, and commissions paid to Banker on money borrowed, $20,000...... | | 1,600 |
| NET PROFIT.................... | $ 2,800 | $ 6,800 |
| Percentage of net profit on outlay of $10,000 of own money......................... | 28% | 68% |

The profits to be made are so large that it is well worth while to increase them by borrowing. High interest rates on the loans are more than compensated by the profits on the principal.

**Collecting Foreign Debts.**—Many American firms have balances owing to them from their foreign customers, or from Branch houses abroad, which are being delayed in remittance until exchange rates recover.

It is suggested that these could be collected at once, by investing the amounts in good foreign bonds at the

present low prices and having the securities sent over. They could be held as an investment and, if funds are required, about 70% of their market price could be borrowed on them from the firm's bankers. Meanwhile they would be improving very considerably in value.

**Selling Against Payment in Foreign Bonds.**—The present low European exchange rates are preventing American exports on account of the resulting higher prices to be paid by the foreign purchaser.

Business would be made easier if the American exporter would agree to accept payment in foreign bonds. The profits would be derived ultimately from the rise in exchange values. In the meantime, the bonds could be used as collateral security for a loan from an American banker.

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**Security Behind the Foreign Bonds.**—In the earlier sections, details are given of the present industrial and financial position of each of the chief European nations.

These sections should be referred to in connection with any intended investment in the currencies or bonds of those countries.

## THE BEST BONDS TO BUY

**Note.**—The prices stated will vary from day to day, according to the course of exchange.

During the time this report has been in preparation, foreign rates of exchange have been steadily falling, for reasons explained in earlier pages, but rises will probably begin at the end of October, 1920.

The purchase prices of bonds quoted in the following pages are likely to be higher from October onwards, because a rise in exchange rates will cause increased buying of foreign bonds.

The purchase prices of bonds, quoted in the examples showing probable profits to be made, are those existing at the end of September, 1920.

### ARGENTINA
### (For Purchase through London)

#### GOVERNMENT BONDS

**5% Internal Gold Loan of 1909.**—Interest payable March 1 and September 1 of each year. Total issue 10 million pounds sterling.

Bonds of 20, 100, 200 and 1,000 pounds sterling.

Out of the total issue only 1–5 of the loan is listed in New York. The balance are called unlisted bonds.

These bonds are repayable in New York at $4.865 per pound sterling.

Price in London, £87½ per £100 bond, Aug. 9, 1920.

At the exchange of $3.70, the £100 bond would cost $323.75.

The redemption price is £100, equal at normal exchange to $486.65, leaving a margin of $162.90 for increase in value.

**4% Railway Recissions.**—Bonds of 20, 100, 200 and 1,000 pounds sterling.

Interest payable half yearly, by coupons.

Price in London, Sept., 1920, £51½ per £100 bond.

Highest quotation in 1919, £89, lowest £56½.

Price July 27, 1914, before the War, £81½, being £30 more than the present price.

Cost in London, Sept., 1920, £51½ at the exchange of $3.70, equal to $190.55.

Value at £81½, at normal exchange of $4.86, $396.10.

Margin of possible profit, $205.54 or 188%.

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By purchasing through London there is an advantage of 25% to 30%, on account of the discount on British exchange.

## AUSTRIA AND THE BALKANS

### MUNICIPAL BONDS

City of Vienna, 4%, $6 per 1,000 kronen.
City of Vienna, 4½%, $6.50 per 1,000 kronen.
City of Vienna, 5%, (new) $7 per 1,000 kronen.
City of Buda Pesth, 4½%, $7 per 1,000 kronen.
City of Prague, 4%, $20 per 1,000 kronen.
City of Carlsbad, 4%, $20.50 per 1,000 kronen.

A City of Vienna Bond for 1,000 kronen bought now at $6, has a face value of $203.

For anyone who can afford to leave their money invested for several years, the purchase of the above bonds is likely to be profitable. They are not likely to rise rapidly.

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For description of the present financial position of Austria see the earlier Section "Austria—Resources of the new Republic".

## BELGIUM

### (All the Following are Free from Belgian Taxation)

### GOVERNMENT BONDS

**3% Perpetual Rente.**—Interest payable: Series 1, January and July, Series 2, March and November, Series 3, February and August.

Each bond of 1,000 francs is worth $193 face value, at normal exchange of 19.3 francs to the $1.

Price in London, September, 1920, 54½%.

During 1919 the highest price was 72½ and the lowest 55; on July 27, 1914, a week before the war, the price was 79½.

On the basis of recovery to 79½ the margin of possible profit is 25 on a cost of 54½, or nearly 46%.

**5% Restoration Loan of 1919.**—Interest payable June 1 and December 1.

In bonds of 1,000 francs, worth $193 at normal exchange.

Present quotation, for purchases in NewYork, about $87 per 1,000 franc bond; value at normal exchange $193, margin for profit $106, or nearly 122%.

There are other Belgian bonds issued and quoted in New York which do not give so much scope for increase in values, being payable in dollars, at fixed exchange.

The bonds payable in francs offer the best chances of profits.

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A brief description of the present economic position of Belgium is given in an earlier Section "Belgium—Wealth and Resources".

## BRITISH WAR LOANS

There are several British Loans issued in the U. S., of which the principal and interest are payable in New York, in dollars, at the fixed rate of exchange of $4.8665 per pound sterling.

There are no opportunities of profit on these bonds by improvement of exchange and they are, therefore, omitted from the following list.

**Internal War Loans, Free from British Income Tax.**—Bonds of £50, ($243.32½), £100, ($486.65) and multiples of £100.

Interest payable half yearly, in London, in sterling.

| | Price in London Sept. 1920 | 1919 Prices | |
|---|---|---|---|
| | | Highest | Lowest |
| 3½% Loan of 1914, redeemable 1925–1928... | 82½ | 89½ | 84¼ |
| 4 % " " 1917, " 1929–1942... | 95½ | 103 | 98¾ |
| 5 % " " 1917, " 1929–1947... | 85 | 96½ | 89¾ |
| 4 % " " 1919, " by drawings at par, after Sept., 1920.................. | 78 | 103½ | 98¾ |

The 4% and 5% loans should rise to par value within the next two years.

The 4% 1919 loan now costs £78 per £100 bond, which at the exchange of $3.70 per pound sterling shows a cost of $288.60. At the normal exchange of $4.86 this bond would be worth $486, leaving a margin of $197.40, or 68%, for increase in value.

The possible profits on the other bonds can be gauged from the figures shown above.

## SECURITIES TO BUY, BRITISH, ETC.

### BRITISH MUNICIPAL AND COUNTY BONDS
(£100 bonds, Face Value at Normal Exchange, $486.65)

| | Price in London Sept., 1920 | Cost at $3.60 per £1 |
|---|---|---|
| 3½% Birmingham 1946 | £59¼ | $213.30 |
| 6 % Birmingham, 1936–40 | 99½ | 358.20 |
| 6 % Bristol, 1930–40 | 101¾ | 366.30 |
| 3 % Croydon, 1940–60 | 50¾ | 182.70 |
| 6 % Croydon | 96 | 345.60 |
| 6 % Essex, 1940–60 | 98 | 352.80 |
| 6 % Hertfordshire, 1940–60 | 99½ | 358.20 |
| 3½% Liverpool | 60¾ | 218.70 |
| 6 % Liverpool, 1930–50 | 101½ | 365.40 |
| 5 % Corporation of London, 1945–65 | 82½ | 297.00 |
| 5½% " " " 1928 | 95 | 342.00 |
| 3 % Plymouth, 1942 | 58 | 208.80 |
| 6 % Coventry, 6 % Lincoln, 6 % Middlesborough, 6 % South Shields — New Issues | 95 | 342.00 |

### FOREIGN GOVERNMENT BONDS TRADED IN LONDON
(Usually in £100 or £500 Bonds)

| | Price in London Sept. 1920 | Prices in 1919 | | Price July 27, 1914 |
|---|---|---|---|---|
| | | Highest | Lowest | |
| 5% Argentine, Issued 1886–7 | £91 | 99 | 83 | 102 |
| 5% Brazilian Loan of 1895 | 59 | 78½ | 60½ | 86½ |
| 5% Buenos Aires, Funding 1915 | 87 | | | |
| 4% Japan, Sterling Loan of 1899 | 55½ | 79¾ | 57¼ | 74 |
| 5% Japan, Sterling Loan of 1907 | 68½ | 95½ | 73 | 98 |
| 5% Mexico, Ext. Cons. Gold Loan, 1899 | 48 | 80¼ | 44½ | 87 |

## BRITISH INDUSTRIAL STOCKS TO BUY

(Ordinary Shares unless Otherwise Stated)

| | London Prices Sept., 1920 Shillings and Pence | Cost at \$3.60 per £1 |
|---|---|---|
| **Automobiles** | | |
| Darracq (S. D. T. Co.) | 23s. | \$4.14 |
| Rolls-Royce | 32s. 6d | 5.85 |
| **Iron and Steel** | | |
| Armstrong Whitworth (Engineering) | 26s. 6d. | 4.77 |
| Beyer Peacock 5½% Pref. (Locomotives) | 18s. 9d. | 3.37 |
| Vickers Ordinary (Electrical Works) | 24s. 6d. | 4.41 |
| Vickers 5% Preference | 16s. 6d. | 2.97 |
| Vickers New 7%, 7-Year £100 Notes, due 1927 | 95% | 342.00 |
| **Miscellaneous** | | |
| Fine Cotton Spinners, 5% Preference | 15s. 6d. | 2.79 |
| Smithfield & Argentine Meat Co | 14s. 6d. | 2.61 |
| Spiers & Pond (Restaurants and Hotels) | 20s. 6d. | 3.69 |
| Lever Bros., 7% Preference (Soap Manufrs.) | 17s. 9d. | 3.19 |
| Lever Bros., 8% "A" Pref | 20s. | 3.60 |
| **Oils** | | |
| Lobitos | 85s. | 15.30 |
| Mexican Eagle, Ordinary | £10 | 36.00 |
| Mexican Eagle, 8% Preferred | £10 | 36.00 |
| Shell | £ 6¼ | 22.50 |

## COLONIAL GOVERNMENT BONDS TRADED IN LONDON

(£100 Bonds, Face Value, at Normal Exchange, $486.65)

| | Price in London Sept. 1920 | Prices in 1919 | | Price July 27, 1914 |
|---|---|---|---|---|
| | | Highest | Lowest | |
| 5½% Australia, 1922–27............ | £94 | 102 | 97 | |
| 3½% Canada, 1930–50.............. | 62¼ | | | |
| 4 % Canada, 1920–60.............. | 73 | 86½ | 77¼ | 98 |
| 4½% Canada, 1920–25.............. | 90½ | | | |
| 4½% Queensland, 1920–25.......... | 87 | 96½ | 89½ | |
| 5¾% New South Wales Debs. 1922–32 .................. | 97 | 103¼ | 98 | |
| 4 % Quebec (Sterling Bonds) 1934. | 80 | | | |
| 4 % South Australia, 1916–36...... | 74½ | | | |

The quotations for all the above mentioned bonds and stocks change from day to day and alterations in rates of bank interest may cause important variations. The prices shown are given as examples only, and not as firm quotations. The stocks listed above are sound and are likely to rise in price during the next 12 months.

British securities of all kinds are at present very low in price. Owing to the large demand for money for purchasing raw materials and machinery, for extensions of manufacturing, and the restriction of credits by the British Banks, good securities have been thrown on the market in large quantities, for the purpose of obtaining ready money. This has caused the present fall in prices, through the sellers being more numerous than the buyers.

## EXAMPLE OF PROFITS OBTAINABLE ON BRITISH SECURITIES

**War Loans.**—The 5% British War Loan of 1917 is now purchaseable at £85 per £100 bond. At the exchange of $3.70 to the pound sterling, the cost would be 85 times $3.70 or $314.50. This bond should be saleable at over £100 within the next two years. In 1919 it reached £96½. Taking this as a basis and selling when the exchange is restored to the normal rate of $4.86, which should be the case within two years from now, the proceeds of the sale would be 96½ times $4.86, making $468.99. The profit would be $154.49 being over 49% on a cost of $314.50. This is in addition to interest of 5% on the nominal value of the bond, nearly 6% on the amount invested.

The 4% loan of 1919 shows a still better chance of profit. The cost would be 78 times $3.70, or $288.60. If sold at the lowest price reached last year, 98¾, when the exchange returns to $4.86, the amount realised would be $479.92. The profit would be $191.32 on an investment of $288.60, or 66%, in addition to the interest received.

**Municipal and Colonial Bonds.**—The Municipal and County Bonds should show profits of 30% to 40% within the next two years by rise in market prices, plus rise in exchange rates. All of the Colonial Bonds shown should yield similar good profits.

**Industrial Stocks and Oils.**—The short list given shows those which are the most likely to rise considerably in selling values during the coming two years. They should be sold when a considerable rise takes

place; as the rate of exchange will have risen during the same period, the profits should be satisfactory.

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In the earlier Section, "Great Britain—Is She Solvent?" details are given of the present financial position of the U. K.

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## CANADA

### INTERNAL WAR LOANS

(Free From Canadian Income Tax)

Bonds of $50, $100, $500, and $1,000.

| | | | | |
|---|---|---|---|---|
| 5 % | Loan of 1915, | due Dec. 1, 1925, | interest payable | June 1 and Dec. 1 |
| 5 % | Loan of 1916, | due Oct. 1, 1931, | interest payable | Apr. 1 and Oct. 1 |
| 5½% | Loan of 1917, | due Dec. 1, 1922, | interest payable | June 1 and Dec. 1 |
| 5½% | Loan of 1917, | due Dec. 1, 1927, | interest payable | June 1 and Dec. 1 |
| 5½% | Loan of 1917, | due Dec. 1, 1937, | interest payable | June 1 and Dec. 1 |
| 5½% | Loan of 1918, | due Nov. 1, 1923, | interest payable | May 1 and Nov. 1 |
| 5½% | Loan of 1918, | due Nov. 1, 1933, | interest payable | May 1 and Nov. 1 |
| 5½% | Loan of 1919, | due Nov. 1, 1924, | interest payable | May 1 and Nov. 1 |
| 5½% | Loan of 1919, | due Nov. 1, 1934, | interest payable | May 1 and Nov. 1 |

All of the above Government loans can be bought in New York at about 13% below their Canadian market prices. On the restoration of normal exchange between Canada and the U. S. these bonds can be sold at a profit of 15% on cost.

External loans, quoted in New York, are payable in New York as regards both principal and interest; these external loan bonds do not give so much opportunity for increase in value as the internal loans.

## SECURITIES TO BUY—CANADIAN

| | Price in New York Aug., 1920 | Price in Montreal Aug., 1920, Per $100 Bond | Difference, Being Possible Profit On Principal |
|---|---|---|---|
| **Canadian Government Bonds of $100 each:** | | | |
| 5½% due 1922.............. | $86.84 | $99 | $12.16 |
| 5½% due 1924.............. | 86.00 | 98 | 12.00 |
| 5½% due 1927.............. | 87.29 | 99½ | 12.21 |
| 5½% due 1937.............. | 88.60 | 101 | 12.40 |
| Average possible Profit On Cost, 15% | | | |
| **Province and City Bonds:** | | | |
| 6% Alberta, due 1923........ | $82.65 | $95 | $12.35 |
| 6% Ontario (Prov.), due 1928 | 80.25 | 92¼ | 12.00 |
| 6% Nova Scotia, due 1925.. | 80.91 | 93 | 12.09 |
| 6% Montreal, due 1922...... | 81.78 | 94 | 12.22 |
| 5% Winnipeg, due 1926...... | 75.60 | 86.90 | 11.30 |
| Average possible Profit On Cost, 22% to 25% | | | |

See the earlier Section, "Canada—Her Growing Wealth", for details of the present financial position of the Dominion.

## FRANCE

### INTERNAL GOVERNMENT LOANS
(Bearer Bonds)

**3% Rente: Perpetual Loan, Irredeemable.** (Not subject to French income tax)

Bearer bonds of 100 francs and upwards, with interest coupons attached.

Interest payable quarterly, on the first days of January, April, July, and October.

At the normal exchange, each bond of 100 francs is worth $19.30; each bond of 1,000 francs is worth $193.

This is the standard French security, and its price is usually near par on the Paris exchange.

**Present Price.**—58% of the face value.

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**5%, 1st and 2d War Loans of 1915, and 1916. (Bearer Bonds)**

Free from French income or other taxes.

Bonds of 200, 400, 1,000, etc., francs.

Interest payable quarterly; Feb. 16, May 16, Aug. 16, November 16.

Redeemable after January 1, 1931.

At the normal exchange of 19.3 cents per $1, the 1,000 franc bond is worth $193, face value.

**Present Price.**—88½% of the face value.

---

**4% War Loan of 1917** (Bearer Bonds)

Free from French income or other taxes.

Bonds of francs 100, 200, 400, 1,000, etc.

Interest payable by coupons quarterly, March 16, June 16, Sept. 16, Dec. 16.

Redeemable from Jan. 1, 1923.

Face value of 1,000 franc bond at normal exchange, $193.

**Present Price.**—71½% of the face value.

---

**4% War Loan of 1918** (Bearer Bonds)

Free from French income or other taxes.

Bonds of 100, 200, 400 and 1,000 francs.

Interest payable by coupons quarterly, Jan. 16, April 16, July 16, and October 16. Redeemable 1944 or later.

Face value of 1,000 franc bond at normal exchange $193.

**Present Price.**—71% of the face value.

---

**5% War Loan of 1920. (Bearer Bonds)**

Bonds of 1,000, 2,000, 10,000, and 20,000 francs.

Interest payable half yearly, May 1 and Nov. 1, in New York, in dollars, at the current rate of exchange then in force.

Loan redeemable by half-yearly drawings at 50% premium on the face value of the bonds. Drawings begin 1920.

The first interest coupon is payable Nov. 1, 1920, and will be for 252 days, equal to 35 francs on the 1,000 franc bond. This 35 francs will be payable at the rate of exchange quoted for francs in New York on Nov. 1, 1920.

Each bond of 1,000 francs is worth at normal exchange $193. Any bond drawn payable at a premium would be redeemed at 1500 francs for the 1,000 franc nominal value. The amount received in dollars would depend on the rate of exchange in force on the date of the drawing.

**Present Price.**—100% of the face value.

---

**French Municipal (External Loan) Bonds**

**The 6% gold bonds of 1919,** of the cities of Lyons, Marseilles and Bordeaux, due for redemption Nov. 1, 1934, are issued in bonds of $100, $500 and $1,000.

Interest payable half yearly in New York May 1 and Nov. 1, at the fixed exchange of $6 on each $100 bond. Principal repayable in dollars in New York.

These are a sound investment but do not give much chance of a rise in value.

**Present Price.**—83% of the face value.

---

**6% Gold Bonds of 1916, City of Paris**

Bonds of $100, $500 and $1,000.

Interest payable in New York, in dollars, at the fixed exchange of $6 per $100 bond.

Principal repayable in Paris Oct. 15, 1921, at the rate of francs $5.50 per $1, the normal rate of exchange is 5.18 francs, or 19.3c. per $1, and the present rate is around 7 cents per franc.

**Present Price.**—95% of the face value.

---

**Accrued Interest.**—The market prices of bonds do not include the interest accrued since the last payment.

The buyer has to pay this interest in addition to the purchase price quoted. On the other hand, when selling, the seller receives the accrued interest in addition to the selling price.

In London, on the contrary, the market price includes the accrued interest.

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## SECURITIES TO BUY—FRENCH

| | Price in Paris Sept., 1920 Francs | Cost at Normal Exchange of 19.30c Per Franc | Cost at Present Exchange of 7c Per Franc | Possible Profit By Rise of Exchange Only |
|---|---|---|---|---|
| **Government Bonds of 1,000 Francs:** | | | | |
| 3% Perpetual Loan....... | 540 | $104.22 | $37.80 | $66.42 |
| 4% of 1917 Issue......... | 715 | 137.99 | 50.05 | 87.94 |
| 5% of 1920 Issue, Redeemable.................... | 1020 | 196.86 | 71.40 | 125.46 |
| Average Possible Profit by Rise of Exchange to Former Rates, 176% on Cost | | | | |
| **Railroad Bonds (500 Frs.:)** | | | | |
| Etat (State Railways) 5%. | 364 | $70.25 | $25.48 | $44.77 |
| Lyons 5%............... | 370 | 71.41 | 25.90 | 45.51 |
| Lyons 3%............... | 296 | 57.12 | 20.72 | 36.40 |
| Midi 5%................ | 390 | 75.27 | 27.30 | 47.97 |
| Nord 5%................ | 402 | 77.59 | 28.14 | 49.45 |
| Orleans 5%.............. | 390 | 75.27 | 27.30 | 47.97 |
| **Municipal Bonds of 100 Frs.** | | | | |
| 6% Paris................ | 91 | $17.56 | $6.37 | $11.19 |
| 6% Bordeaux............ | 83 | 16.02 | 5.81 | 10.21 |
| 6% Lyons............... | 83 | 16.02 | 5.81 | 10.21 |
| 6% Marseilles........... | 83 | 16.02 | 5.81 | 10.21 |

The possible profits of 176% on cost shown above are those arising only from advances in the exchange rates.

There would be further profits by advances in the selling prices of the securities and from the interest receivable.

The brokers' commissions for buying and selling would slightly reduce the profits shown.

The prices quoted are likely to rise during the Fall and Winter of 1920 and afterwards.

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See the earlier Section, "France—Wealth and Resources", for description of the present industrial and financial position of the Republic.

## GERMANY

**War Loans.**—These were almost entirely issued in Germany and subscribed by German citizens. As it is probable that both the principal and interest may be reduced by taxation of capital, the purchase of War Bonds is not recommended.

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**Loans of German Cities.**—The Municipal Bonds are a good investment at present prices.

The bonds are of 200, 1,000, 2,000 and 5,000 marks, bearer bonds. Interest is payable half yearly, by coupons.

The face value of each 1,000 mark bond, at the nominal exchange of 23.80 cents per mark, is $238.

Present prices are about 1/12 of the nominal value, being around 2 cents per mark, equal to $20 per 1,000 mark bond. Even a small advance of exchange rates would yield a large profit on cost.

| | Redeemable | Present Price Per 1,000 Mks. | Face Value At Normal Exchange |
|---|---|---|---|
| **Free Ports:** | | | |
| Bremen 4% | By Drawings | $18 | $238 |
| Bremen 4½% | | 19 | 238 |
| Hamburg 4% | By Drawings | 19½ | 238 |
| Lubeck 4% | By Drawings | 18 | 238 |
| **Other Large Cities:** | | | |
| Berlin 4% | By Drawings | $19 | $238 |
| Cologne 4% | By Drawings | 20 | 238 |
| Crefeld 4% | By Drawings | 20 | 238 |
| Dresden 4% | By Drawings | 19½ | 238 |
| Düsseldorf 4% | In 30/60 Yrs. | 17½ | 238 |
| Frankfort 4% | By Drawings | 22½ | 238 |
| Leipzig 4% | By Drawings | 18 | 238 |
| Magdeburg 4% | In 28 Yrs. | 22 | 238 |
| Mayence 4% | In 40/50 Yrs. | 22 | 238 |
| Mannheim 4% | In 32/37 Yrs. | 22 | 238 |

There are other cities, in addition to the above, whose bonds are good investments; the prices vary according to the size of the city, the date of redemption of the bonds, and the rise or fall of exchange rates.

**Saarbrucken Bonds.**—The important coal mining and iron mining district of Saarbrucken, which was formerly German territory, has been declared a neutral district for the next 15 years, pending a decision as to its ultimate incorporation with French or German territory.

Meanwhile it is being governed by a Commission appointed by the League of Nations. The main line of railway between Cologne and Metz serves this area.

The district has the advantage of free trade with both Germany and France, no customs duties being payable to either of these countries. The area of the district is 772 square miles, and the population is about 800,000. The production of coal in 1913 was 16½ million tons. The iron mines employ about 60,000 men. There are also large machine shops, iron foundries, electrical works, and glass works.

The City of Saarbrucken issued a 4% loan in 1910 for 17½ million marks, which appears well secured.

The Land Mortgage Bank of Saarbrucken issues 4% bonds, which are also good investments.

Both these bonds are now purchasable on the basis of the very low price of the German mark, at about 1/12 of their face value.

They are a good investment, especially as they are not subject to the 10% income tax levied on the interest receivable from German bonds.

Jan. '35 - Germany's again

**4% German Land Bank Mortgage Bonds.**—These bonds are secured by mortgages on land and buildings, to amounts not exceeding ⅔ of their values. All of these land banks have paid regular dividends on their capital stocks, ranging from 5% to 14%.

The prices of the bonds vary with the rates of exchange; even at par in marks, they would be cheap, but they can be bought at a discount from face value. The bond of 1,000 marks costs at present from $25 to $28, as against a normal value of $238.

The following is a list of the largest and best Land Banks, whose bonds will be the most easily saleable on a rise in exchange.

Purchasers of these bonds now are likely to obtain large profits through the rise in exchange; the bonds are sound investments.

Bavarian Commercial Bank
Bavarian Mortgage and Exchange Bank
Brunswick and Hanover Mortgage Bank
German Land Credit Bank
German Mortgage Bank
Frankfort Mortgage Bank
Mortgage Bank of Hamburg
Leipzig Mortgage Bank
Mecklenburg Mortgage Bank
Palatine Mortgage Bank
Prussian Land Credit Bank
Prussian Central Land and Credit Banking Co.
Prussian Mortgage Bank
Prussian Mortgage Bank of Berlin
Rhenish Mortgage Bank
Silesian Land Credit Bank

South German Land Credit Bank
West German Land Credit Bank
Wurtemburg Land Credit Bank

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**Bonds of German Industrial Companies.**—The following is a selection of the bonds of large manufacturing companies, all of which pay good dividends.

These bonds can now be bought below their usual market prices. On a rise of exchange, the market prices of the bonds will also improve. They may be bought from New York in amounts of 5,000 marks and upwards.

At the present rate of exchange a 1,000 mark bond would cost from $18 to $20, instead of its nominal value of $238. These bonds are freely saleable in Germany. They are well worth holding for the rise in exchange.

Bochum Cast Steel, 4%
Germania Portland Cement Works, 4½%
Aniline Manufacturing Co., 4½%
Hamburg Dynamite Company, 4½%
Elberfeld Dye Drugs Works, 4½%
Hoechster Dye Drugs Works, 4½%
Augsburg-Nurnberg Machinery Mfg. Co., 4½%
Humboldt Machine Works, 5%
General Electric Co. (A.E.G.) 4%
Bergman Electric Co., 4½%
Berlin Electric Co., 4½%
Siemens Halske Co., 4%
Siemens-Schuckert Works, 4½%.

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In the earlier Section "Germany—Will She Recover?" details are given of the present industrial and financial position of the country.

## ITALIAN GOVERNMENT BONDS

**5% Internal War Loan of 1918.** (Free of all Italian income and other taxation.)

Interest payable half-yearly, Jan. 1 and July 1. Not redeemable before 1932.

Bonds of 100, 200, 500, 1,000, etc. lire.

Face value of the bond of 1,000 lire, at the normal exchange of 19.30c. per lire, $193.

**Present price,** bought from New York, $39 per 1,000 lire bond.

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**5% Internal Perpetual Loan of 1920.** (Free from all Italian taxation.)

Interest payable half yearly, January 1 and July 1.

Principal not redeemable.

Bonds of 200, 500, and 1,000 lire.

Face value of the 1,000 lire bond at normal exchange, $193.

**Present price,** bought from New York, about $40.

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**5% Treasury Notes, Issued October 1, 1919.**

3-year bonds, due October 1, 1922.

5-year bonds, due October 1, 1924.

**Present price,** bought from New York, $46.50 per 1,000 lire bond; value at normal exchange, $193.

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See earlier Section, "Italy—Her Commercial Reorganization", for details of the present economic position of this kingdom.

## JAPANESE GOVERNMENT STERLING BONDS

The following bonds are payable in London, in sterling.

Owing to the British pound sterling being at a discount of over 25%, these Japanese Bonds can be bought at about 30% below their usual market price. With a rise in British exchange, the bonds can be sold to realise good profits.

**5% Sterling Loan of 1907**

Issued in London and Paris, redeemable at par, on half-year's notice after March 12, 1922. Interest payable half yearly, March 12 and September 12.

Bonds of £20, £50, £100, ($97.33, $243.32½, $486.65).

**Present price,** in London, £69, equal to $248.40 at exchange of $3.60; face value at normal exchange, $486.65.

In 1919 the highest price was £95½, and the lowest £73; the price on July 27, 1914, just before the war, was £98.

The possible profits are 33% by a rise of exchange to par, plus 42% by the rise of the bonds to the pre-war selling price of £98; total 75% and interest.

**4% Sterling Loan of 1910**

Issued in London, redeemable 1970, in sterling.

Interest payable half yearly June 1 and December 1.

Bonds of £20, ($97.33); £50, ($243.32½) and £100 ($486.65).

**Present Price,** in London, £55½, being $199.80, at the exchange of $3.60.

Face value at normal exchange $486.65.

In 1919 the highest price was £80 and the lowest £55.

On July 27, 1914, a week before the war, the market price was £75.

Possible profits, 33% on exchange and 35% on rise of market price to £75, total 68% and interest.

## RUSSIAN GOVERNMENT BONDS

The buying of Russian exchange in the form of drafts on Russian banks cannot be recommended at present.

All of the Russian Government bonds have been repudiated by the Bolsheviki, but the French, who have several billion dollars invested in these bonds, are determined to enforce recognition.

The French Government has stated definitely that it will recognise no form of Russian Government which does not agree to accept liability for the loans issued by the former Russian Imperial Government, which were chiefly subscribed by the French people. The French Government is backing this declaration with armed assistance to the new Russian leaders, who have promised to recognise the outstanding Russian loans.

The purchase of Russian Government bonds may therefore be regarded as a speculation, with the chances largely in favor of the purchaser.

The normal exchange value of the rouble is 51.46 cents. At present it is quoted around 1.3 cents per rouble, which is only 2½% of its former value.

Prices of bonds are higher than for currency, which is greatly inflated, but rises in exchange will improve the prices of bonds.

Russian exchange cannot possibly fall much lower; it is probable that it will rise considerably within the coming 12 months. The profits obtainable in such a case may be several hundreds per cent.

**5½% Loan of 1916**

Redeemable February 14, 1926; interest payable February 14 and August 14, but in default.

Bonds of 100, 500, 1,000, 5,000 etc., roubles.

Many of these were bought in New York in 1916.

At that time, Russian exchange was quoted 30c. per rouble, as against the present quotation of 1¼ cents.

A 1,000 rouble bond can be bought now for $15, compared with the market price of over $300 in 1916. At normal exchange this bond would be worth $514.60. A return to the 1916 rates of exchange would yield a profit of 20 times the amount invested now.

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## LONDON STOCK EXCHANGE PRICES FOR RUSSIAN BONDS, SEPTEMBER, 1920

**4% Russian Government Railway Bonds** (£17 per £100 bond); at the exchange of $3.60 to the pound sterling this is equal to $61.20 for the bond of $486.00.

**5% Russian Government Bond, Series I, 1889,** (£29 per £100 bond); at the exchange of $3.60 to the pound sterling this is equal to $104.40 for the bond of $486.00.

## PARIS STOCK EXCHANGE PRICES FOR RUSSIAN GOVERNMENT BONDS, SEPT, 1920

| | 1,000 Fr. Bond Price in Sept., 1920 | Price Bought From New York, At Exchange of .7c Per Franc | Same Price At Normal Exchange of 19.30c |
|---|---|---|---|
| 4 % Loan of 1893 (5th)........ | 262½ Frs. | $18.40 | $50.66 |
| 3½% Loan of 1894............. | 262½ Frs. | 18.40 | 50.66 |
| 3 % Loan of 1891–94.......... | 310 Frs. | 21.70 | 59.83 |
| 4 % Loan of 1901............. | 265 Frs. | 18.60 | 51.15 |
| 5 % Loan of 1906............. | 475 Frs. | 33.30 | 91.68 |
| 3½% Loan of 1909............. | 352½ Frs. | 24.70 | 68.03 |

These bonds are in amounts of 500 francs. The minimum quantity sold is 2,000 francs. The market prices quoted above are for bonds of 1000 francs, the face value at normal exchange being $193. As an example of the profits obtainable it will be seen by the above list that the 5% loan of 1906, now offered at $33.60, is at only one sixth of its normal price.

Paris is the best market for Russian Government Bonds.

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See the earlier Section, "Russia—Present and Future", for description of the present position of her finances.

## MEXICO

During the last 6¼ years, Mexico has ceased to pay interest on her Government bonds and the interest has been accumulating against her.

The reason for the default has been the various revolutions which have taken place during the time named. Each party, when it obtained power, has been more anxious to collect funds than to pay the nation's debts. One of the chief causes of the various revolutions has been the wretched condition of the poorer classes of the native Indian population, of whom 80% are unable to read or write.

The country is rich in agricultural, mineral and oil resources, which are only partly developed. The greater portion of the trading is with the United States.

Civil war began at the end of 1913, but the European war of 1914 prevented any interference by the powerful financial groups which have large investments in Mexican territories.

These groups have now taken measures to end the revolutionary fighting and their influence is sufficiently strong to ensure peace in the country for some years to come.

Mexico is settling down to agriculture and trade, and she will recover rapidly.

Mexican Government bonds are selling at present at about one-fourth of their face value. They are not a first class investment, as regards safety, but the same strong influence which has forced peace on the

country is expected to bring about an improvement in the national finances. In 1921 there will probably be arrangements made for the payment of the arrears of interest unpaid since June, 1914. Most likely new bonds will be issued for a portion of the interest.

The purchase of Mexican bonds now is a speculation, but the chances are largely in favor of a purchaser, who should make good profits well within the next two years.

The following are the chief descriptions of Mexican bonds issued, all of which have the interest owing from July 1, 1914, being 6¼ years. The words "Gold" and "Silver" show the currency in which principal and interest are payable:

**External Debt:**

Mexican Government Gold Loans, 4% and 5%.
Mexican Government Gold 6% Treasury Bonds.
City of Mexico 5% Sterling Loan.

**Internal Debt:**

Interior Consolidated Silver 3% and 5%.

**Bonds Guaranteed By the Mexican Government:**

5% State Loans of Vera Cruz, Tampaulipas and Sinaloa.
Caja de Prestamos 4½% Sinking Fund.
Mexican National Packing Co., 6% 1st and 2nd Mortgage Gold Bonds.

**State Bonds Not Guaranteed By the Mexican Government:**

State of Aguascalientes, Silver 5%
State of Chihuahua, Silver 5%

State of Coahuila, Gold 6%
State of Durango, Silver 5%
State of Jalisco, Gold 6% and Silver 6%
State of Morelos, Silver 6%
State of San Luis Potosi, Gold 6%

**Municipal Bonds Not Guaranteed By the Mexican Government:**

City of Cordova, Silver 6%
City of Parral, Silver 6%
City of Puebla, Silver 6%
City of Saltillo, Gold 6%

**National Railways of Mexico—Funded Debts.** —Numerous issues; for some of these both principal and interest are overdue.

**Other Railways—Debentures, Mortage Debentures and Gold Bonds.**

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**Examples of Present Market Prices.**—The following are examples of the prices at which Mexican Bonds can be bought in New York. It will be seen that these prices are in some cases not much more than the amount of interest due on the Bonds.

**External Loans.**—Mexican Government Consolidated 5% Gold Loan; issued 1899, $100 Bonds; amount of interest in arrears $30; market price of bond, including right to receive the interest, $41.

Mexican Government 4% Gold Loan of 1904; $100 Bonds; interest due and unpaid, $24; market price of bond, including right to arrears of interest, $38.

**Internal Loans.**—Mexican Government Internal 5% Bonds; issued 1895, $100 bonds; interest in arrears $30; market price of bond, including right to receive arrears of interest, $33.

## National Railways of Mexico—Funded Debt

Prior Lien 4½% Bonds, due for repayment July 1, 1957; interest in arrears $27; market price of the $100 bonds, including right to the arrears of interest, $24.

Prior Lien 4½% Bonds, due for repayment October 1, 1926; interest in arrears $27; market price of the $100 bond, including the right to arrears of interest, $28.

First Consolidated Lien 4% Bonds, due for repayment October 1, 1951; interest in arrears $24; market price of the $100 bond, including right to the arrears of interest, $17.

**How To Buy.**—Consult a good broker or dealer, and take his advice as to the best bonds to buy. For preference, buy the bonds which are the most generally dealt in, so as to be able to realise easily on a rise taking place. Then, sit tight, and don't be persuaded to sell until a good profit can be obtained.

**When Bonds Will Rise.**—The market prices should have risen appreciably within six months; profits may be taken then, but it will be better to wait for the larger profits to be made by holding the bonds for two years.

**Why They Will Rise.**—The Mexican people are weary of the six years of civil war. The American and other capitalists who have invested in railways,

oil fields and mines, have now made satisfactory arrangements with the new rulers of the country for protection of Mexican industries.

The rises in price of Mexican products have enabled Mexican laborers to earn higher wages, so removing the cause of most of the disturbances.

The nearness of Mexico inevitably brings it under the influence of the United States, which needs her products.

Peace in Mexico is necessary for trade and the trading influence is now strong enough to ensure peace, especially as the former state of hopeless poverty, and practical slavery, of many classes of the workers has been considerably changed for the better. The previous conditions bred lawlessness by their rank unfairness.

With fair treatment for both capital and labor, Mexico may look forward confidently to a run of prosperity.

Clover Press Corporation
New York City